

CITY OF MANKATO
MANKATO, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED
DECEMBER 31, 2007

PREPARED BY:

FINANCE DEPARTMENT

Daniel Scott
Finance Director

Member GFOA of U.S. and Canada
Published May 22, 2008

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MANKATO, MINNESOTA
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INTRODUCTORY SECTION

CITY OF MANKATO
MANKATO, MINNESOTA

YEAR ENDED
DECEMBER 31, 2007

May 22, 2008

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Mankato:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of audited financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Mankato for the fiscal year ended December 31, 2007.

This report consists of management's representations concerning the finances of the City of Mankato. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Mankato has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Mankato's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Mankato's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The City of Mankato's financial statements have been audited by Abdo, Eick, & Meyers; a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Mankato for the fiscal year ended December 31, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Mankato's financial statements for the fiscal year ended December 31, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Mankato was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Mankato's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD & A). This letter of transmittal is designed to complement MD & A and should be read in conjunction with it. The City of Mankato's MD & A can be found immediately following the report of the independent auditors.

Profile of the Government

The City, incorporated in 1868, is located in the south central region of Minnesota and is approximately 75 miles south of the Minneapolis / Saint Paul metropolitan area. Mankato is considered to be a regional center that services Southern Minnesota and Northern Iowa. The region is considered to be a prime area in the state for agriculture with corn and soybeans being the major cash crops. Mankato is home to Ridley, Inc / Hubbard Feeds, Archer Daniels Midland, and CENEX / Harvest States / Honeymead. All three corporations are well known in the agribusiness community. Archer Daniels and CENEX / Harvest States are major entities in the soybean processing industry. The City currently occupies a land area of 11 square miles and has a population of 32,427. The community serves a regional market estimated at 327,700 people. The City is empowered to levy a property tax on real property located within its corporate limits. It is also empowered by state statute to extend its corporate limits by orderly annexation, which occurs periodically when deemed appropriate by the City Council.

The City operated under the council-manager form of government since 1952. Policy making and legislative authority is vested in a governing council consisting of the mayor and six council members. The Mayor and City Council are responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day to day operations of the government, and for appointing the heads of various departments. The Mayor and Council are elected on a non-partisan basis. Council members serve four-year staggered terms. The Mayor is elected to serve a four-year term. Five council members are elected by ward. The Mayor and the one remaining council member are elected at large.

The City provides a full range of services:

The Community Development Department provides services in the area of planning and zoning, building code enforcement and inspection, and economic development. The economic development programs are aimed at stimulating commercial and industrial growth. In addition, a variety of programs have been utilized, over the years, for the intent of providing citizens with adequate and affordable housing. Among these programs are the Housing & Urban Development (HUD) Public Housing, HUD Voucher Program, Minnesota Housing Finance Agency Programs (Pohl Creek, Home Steps, Home Steps, Home Ownership, Rental Rehab, Community Fix Up Fund, Community Revolving Loan), and deferred loan programs that target specific neighborhoods such as Lincoln Park, Washington Park, and the Neighborhood Improvement Fund. In addition, the Department also utilizes Tax Increment Financing and Industrial Development Revenue Bonds.

The Department of Public Safety – Police Division provides residents with a 50 member force that operates from the Blue Earth County Law Enforcement Center. The City and Blue Earth County share a Dispatch, Records, and Storage facility. The City also has a 24 member trained and licensed volunteer force.

The Department of Public Safety – Fire Division has 18 full time and 34 part time personnel on staff in two fire stations throughout the community. The City also provides specialty services throughout the region in the form of a Chemical Assessment Team and Hazardous Materials Team. The community has an ISO fire insurance rating of 3.

The Department of Public Works – Street Division has 16 full time personnel. The department is responsible for maintaining 181 miles of streets with approximately 499 lane miles. In addition, the department provides maintenance for 76 miles of storm water infrastructure.

The Department of Public Works – Parks Division maintains 27 parks that encompass 550 acres. The park facilities have 6 baseball diamonds, 9 basketball courts, 14 miles of bike trails, 3 outdoor hockey rinks, 8 softball diamonds, 2 outdoor swimming areas, 10 tennis courts, 4 volleyball courts, 1 outdoor swimming pool, and a 92 acre camping facility with 42 camp sites. In addition, the City operates an indoor park pavilion at the Land of Memories Park. The City also operates a 4,800 seat arena / civic center. The Division employs 14 full time staff.

The Department of Public Works – Utilities Division staffs 39 employees. The department maintains a system of 196 miles of water main, 1,200 fire hydrants, and 12,608 user connections. Water is pumped from four wells through a lime softening plant that has a capacity of 9 million gallons per day. Combined storage of two elevated tanks and five ground storage tanks is 11 million gallons. The department also serves over 15,100 wastewater users in Mankato, North Mankato, South Bend Township, Eagle Lake, Skyline, and the Lake Washington Sanitary District. The wastewater treatment plant has a maximum design capacity of 22.5 million gallons per day and an average daily use of 7.0 million gallons per day. The department maintains 159 miles of sanitary sewer.

The Department of Public Works – Transit Division staffs 6 full time and 25 part time employees. The Transit System began operation in 1976. The system provides fixed route, dial a ride, and para-transit mobility services in Mankato and North Mankato. Services are provided to Minnesota State University, North Mankato, and MRCI through a contractual arrangement. The Transit System provides 20,279 service hours to 311,904 riders. There are 11 established transit routes.

The Department of Public Works – Airport Division is maintained by city staff. The airport is located approximately five miles north east of the City on 650 acres of City owned land. The airport has 2 paved runways, TVOR navigational aids, approach lights, and a routing beacon. In 1997, the City built a new terminal building that includes office space for the business operation of the airport as well as a concourse serving four gates. The paved and marked parking lot area has a capacity of 120 parking stalls. In 2007, the city completed a seven million dollar expansion of a runway providing for a 6,600 foot runway. The project also included additional land acquisition, drainage improvements, and rehabilitation of existing runways.

The Department of Public Works – Garage Division employs 9 staff. The division provides for the maintenance of city owned vehicles. The division operates the city owned garage and dispenses bulk petroleum to all city owned vehicles.

The Department of Engineering consists of 14 staff members. The department designs and inspects all infrastructure projects within the City.

The Parking System is operated by the Civic Center staff. They operate, maintain, and enforce parking in the city owned ramps and nearby city owned off street surface parking. The parking system consists of 1,412 ramp spaces located in four city ramps and 237 off street surface parking spaces.

The Department of Public Information provides assistance in the area of informational marketing efforts to the community. This department serves both the City and Independent School District 77.

The Department of Human Resources provides recruitment, screening, compliance, and payroll services for the organization. The department has five full time staff.

The Legal Department consists of 3 full time attorneys and 2 support staff. The department is responsible for drafting city ordinances, reviewing city contracts, and the prosecution of misdemeanor offenses.

The Finance Department consists of 7 full time staff. The department is responsible for all accounting and financial reporting for the organization. In addition, the department handles the cash management and investments of funds, cash flow forecasting, the risk management for the entire organization, coordinates the issuance of debt structures to finance the various infrastructure improvements, tax increment financing reporting, processes the annual grant funding for the transit system, maintains numerous operational statistics for the transit system, provides financial information for the Capital Improvement Plan, coordinates the City Budget Process, provides the accounts payable and accounts receivable function for the organization, provides all office support for the utility billing function, provides in house support for the ordering and distribution of office supplies and office equipment maintenance, and provides front desk reception and routing of phone calls.

The Information Technology Department consists of seven full time staff. They provide in house programming for the IBM AS 400 as well as server support for the information network.

The Council is required to adopt a final budget prior to the close of the fiscal year. The annual budget serves as the foundation for the City's financial planning and control. The City Manager and Director of Finance prepare the annual budget each summer. A preliminary budget is presented to the City Council in August, prior to consideration of the preliminary property tax levy. Under Minnesota Statutes, a preliminary property tax levy must be adopted no later than September 15 of each year for the ensuing years' collection. This action establishes a maximum levy. Subsequent Council action may lower this preliminary levy but must not raise the levy. In addition, the City Council reviews the budgets for the enterprise funds and all other funds on an annual basis as part of the budgetary process. In November, citizens receive a notice of proposed property taxes based upon the preliminary levies established by all taxing districts. Citizens are invited to a public hearing known as Truth In Taxation hearings for each taxing jurisdiction. The City's hearing includes a presentation that addresses the budget, proposed property tax levy, other city operations, and the priorities of the City Council for the upcoming year. There is an opportunity for public comment, on these topics, at this public hearing as well as the following meeting at which the final property tax levy is adopted. The final appropriated budget is prepared by fund, function, and departmental program. The City Manager may make transfers of appropriations within a fund or department. Budget amendments, that reduce the amount of an appropriation, require approval of the City Council. Budget to actual comparisons are provided for each individual governmental fund for which an appropriated annual budget has been adopted. This is the basis for the budget process and the framework for the completion of the annual budget.

Local economy

The region has a mix of manufacturing and industrial base that complements the agricultural base. Major industries with headquarters or divisions located with the City or close proximity include wireless cellular telephone and communications, specialty and commercial printing, soybean processing, microcircuit and electronic assembly, and plastics production. This combined with Mankato being the County Seat of Blue Earth County adds further diversification. In addition, the community serves as a regional health care provider. Mayo Health Systems operates the hospital and medical care facility that provides an employment base of approximately 1,700 health care professionals and staff. The community is also the home of Minnesota State University – Mankato (MSU-M). The University has a student population of approximately 14,000 students and an employment base of 1,400 educational professionals and staff. In addition, MSU – M serves as the summer host of the Minnesota Vikings (NFL) training camp.

The region (which includes the City and the surrounding area) has an employed labor force of approximately 58,600 which is anticipated to grow at a rate of 2 percent. The City continues to experience stable residential growth. The market value of all residential permits in fiscal year 2007 was \$3,574,100. This represents a decrease of 30.7% percent when compared to fiscal year 2006. Fiscal year 2007 was the fourth highest year of market value for residential building permits issued.

Unemployment has been at a relatively low rate due to the diverse economic base. The unemployment rate is 4.0% which represents an increase from the previous year rate of 3.2%. Unemployment is expected to remain stable in the near term.

The local economy will be boosted from two significant projects in various stages of construction. Wal-Mart Corporation announced that it will construct a food distribution center that will serve a five state area. The facility will be an 880,000 square foot center with an estimated value of \$26,000,000. The center will create 500 new fulltime jobs with an annual estimated payroll of \$21,000,000. Land acquisition and preliminary infrastructure work started in 2007 with actual site construction scheduled to begin in spring of 2009 and the distribution center to become operational in 2010. Hilton Hotels completed construction of a 110 room Hilton Garden Inn Motel. The structure is located in downtown Mankato and is connected to the Alltel Center Civic Center via skywalk. The facility is valued at \$12,000,000 and opened in November of 2007. In addition, there are ten other commercial projects in various stages of completion. These additional projects are valued at over \$32,000,000.

The hospitality industry makes a significant contribution to the Mankato economy. The lodging tax generated \$345,052 for fiscal year 2007. The City dedicates these funds to the local Convention & visitors Bureau for the purpose of promoting the Mankato community and local tourism. Fiscal year 2007 represents the highest amount ever collected in lodging tax proceeds and was an increase of 8.08% over fiscal year 2006.

Long-term financial planning

Unreserved, undesignated fund balance of in the general fund (41.9 percent of total general fund expenditures) falls within the policy guidelines set by the Council for budgetary and planning purposes (up to 50% of total general fund expenditures). The Council and staff plan to increase the actual percentage towards the maximum for the purpose of achieving a higher bond rating and potentially reducing future borrowing costs.

Financial planning and control for the City of Mankato is also based upon the five-year Capital Improvement Program. The Capital Improvement Program is reviewed and revised during the budget process each year. This includes projects for which the City must issue debt and/or assess portions of the cost to adjacent or benefited property owners. Since the Council has set limits upon the funds available each year and the City does not wish to issue excessive amounts of debt, these projects need to be reviewed and (on occasion) reprioritized annually as part of the Capital Improvement Program. The specific projects under consideration are identified in the City Budget.

Relevant financial policies

Cash management and investment policies have been drafted and are on file in the City Finance. Cash temporarily idle during the year was invested in certificates of deposit, commercial paper, or obligations of the U.S. Treasury, or a state approved money market investment fund. The maturities of investments range from 30 days to 12 years. The total value of maturities between 10 years and 12 years represents 0.53 percent of the total portfolio. All obligations of the U.S. Treasury have call features which, in effect, will likely serve to reduce the maximum maturity date of the securities in the six year to twelve year instruments. The City utilizes a “sweep” account paying interest on overnight deposits. The rate on this daily sweep rose during 2007 from 2.08% in January to 3.26% in December. The City also utilizes a government money market fund for the purposes of liquidity. During 2007, the yield on this fund ranged from 4.08% in January to 4.85% in December. All other funds were invested in FDIC backed certificates of deposit with yields from 4.00% to 6.00%; A1/P1 rated commercial paper yielding from 4.55% to 4.60%, U.S. Treasuries and U.S. Agency bonds with yields from 2.18% to 6.00%. These types of investment instruments are deemed to have acceptable investment risks and are consistent with the Investment Policy of the City. All investment instruments are consistent with Minnesota Statutes 118.A. Investment income includes any appreciation or decrease in the fair value of investments. Any increase or decrease in fair value does not necessarily indicate a trend that will continue; nor is it always possible to realize such amounts. The City purchases government fixed income securities with the intent of holding them to full maturity or to their call date. As such, in the long term, the City does not expect to realize any loss in value due to changes in the interest rate market. A thorough review of cash flow needs is performed prior to investing funds. This requires examining the various stages on construction for each project identified within the Capital Improvement Program of the City. The City utilizes cash flow practices with the intent of assuring sufficient liquidity to eliminate or significantly reduce the need to redeem fixed income instruments prior to maturity or their call date.

The Department of Finance updated the Internal Control manual in 2007. The Department identified key areas of activity and drafted controls for each area. With the addition of various e-commerce activities over the past few years, it was necessary to identify several areas and document the necessary practices and controls. The department will maintain this document as a continuing work in progress.

The Department of Finance engaged an actuarial study for Other Post-Employment Benefits (OPEB) in order to comply with Governmental Accounting Standards Board Pronouncement 45 (GASB 45). By doing so, the intent is to early implement GASB 45. The deadline for implementation is December 31, 2008. GASB 45 is directed towards public sector employers providing certain OPEB benefits. The city’s OPEB liability is believed to be very minor when compared to other Minnesota cities. Additional information regarding OPEB liability can be found in the Notes to the Financial Statements.

The City participates in a comprehensive risk management strategy through the League of Minnesota Cities Insurance Trust (LMCIT). The risk management plan is in coordination with the statutory limits for insurance coverage as identified for political subdivisions of the State of Minnesota.

Specific area of insurance coverage include, property, supplemental flood coverage, crime, employee dishonesty bonds, employee faithful performance bonds, police professional liability, municipal liability, automobile and equipment liability, automobile physical damage, Minnesota Petrofund liability, boiler coverage, Open Meeting Law coverage, and workers compensation coverage. The City established a self insurance fund for health insurance in 1991. Under this program, the health insurance claims are administered by Blue Cross & Blue Shield of Minnesota. Additional information regarding risk management activity can be found in the notes to the financial statements.

Pension and other post employment benefits. The City participates in the Minnesota Public Employees Retirement Association (PERA) as required by state law. The City participates in three PERA funds. They are the PERA Police & Firefighters Fund, the PERA Coordinated Fund, and Public Employees Defined Contribution Plan (PEDCP) for elected officials. Additional information regarding pension activity can be found in the notes to the financial statements.

Major initiatives

The City of Mankato is in the third year of a four year upgrade to its water treatment plant operation. The total estimated project cost is \$39,000,000 and is scheduled in three phases. The project encompasses the addition of two new wells, replacement of a reservoir & pumping station, new water transmission lines, a substantial upgrade to a membrane water filtration system, and a new road bypass at the water filtration plant. Phase I was completed in 2006. Phase II began in late 2006 and Phase III has an expected completion date in early 2009. The City will finance the project through two separate Minnesota Public Facilities Authority (PFA) Loans for the entire amount.

A second major project involves downtown revitalization. The City of Mankato completed the construction of a skywalk system from the Downtown Civic Center & Arena to the Holiday Inn Hotel. In addition, enhancements to the existing parking ramp facility were initiated in 2007. This was the beginning phase of the downtown redevelopment. The Hilton Hotel project construction was completed in 2007. This is located just to the south of the Civic Center site. That construction included a skyway connection to the Civic Center & Arena. The total amount of all downtown improvements is estimated at \$6,900,000.

A third major initiative is in the area of technology. The City began a three-year project involving a comprehensive Geographical Information System (GIS) in late 2006. The initial phase involves research and consulting regarding the entire scope of the project. The intent is to encompass every department and create a comprehensive GIS system for the City organization. The City has committed an additional \$100,000 for 2008 GIS activity and an additional \$80,000 for fiscal year 2009.

In 2007, the City completed the initial phase of redesigning the City's website. The redesign will provide greater uniformity between the various departments of the City. The comprehensive plan also calls for expanded e-commerce and e-government initiatives upon completion of the redesign. The project will bring the website management "in-house" and the City has hired a web programmer on the Information Technology staff. The project will include various upgrades that will continue in 2008.

The City expanded its use of security cameras in fiscal year 2007. This expansion allows for eight (80) plus "live" cameras located primarily in selected strategically identified locations. The sites covered, but not limited to, are all City parking ramps, the civic center (including the newly constructed skyway system, the interior and exterior of the Intergovernmental Center, and the open mall area located to the south of the Intergovernmental Center.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Mankato for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2006. This was the twenty-second year that the City has received the prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the Finance Department who assisted and contributed to the preparation of this report. We would also like to acknowledge the Mayor and the City Council for their support for maintaining the highest standards of professionalism in the management of the City of Mankato's finances.

Respectfully submitted,



Patrick Hentges
City Manager

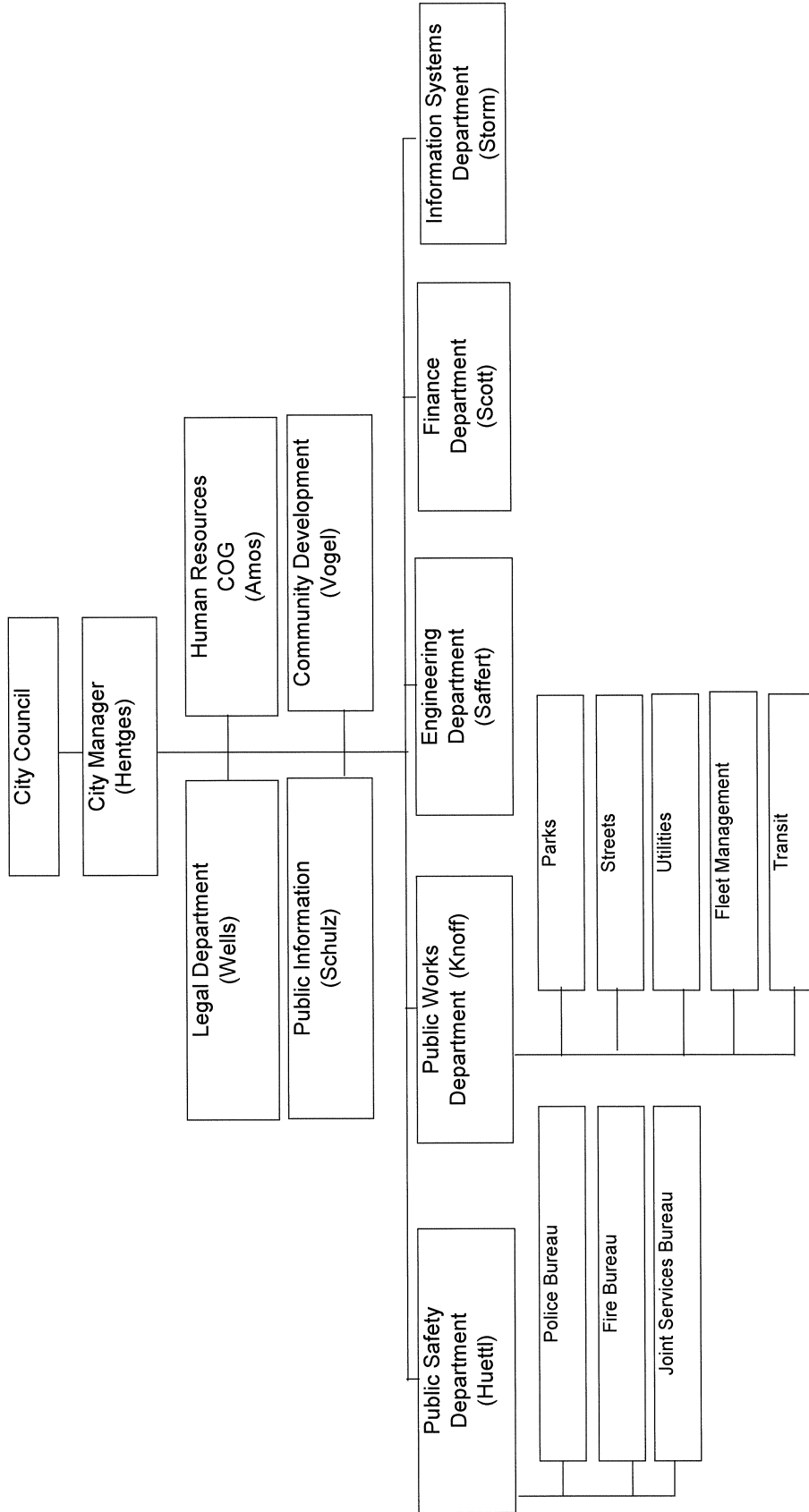


Daniel Scott
Director of Finance

CITY OF MANKATO, MINNESOTA
LISTING OF OFFICIALS
YEAR ENDED DECEMBER 31, 2007

Name	Title
John Brady	Mayor
Michael Laven	At Large
Vance Stuehrenberg	Council Member 1st Ward
Tamra Rovney	Council Member 2nd Ward
Mark Frost	Council Member 3rd Ward
Charles Hurd	Council Member 4th Ward
Jack Considine	Council Member 5th Ward
Patrick Hentges	City Manager

CITY OF MANKATO ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Mankato
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION

CITY OF MANKATO
MANKATO, MINNESOTA

YEAR ENDED
DECEMBER 31, 2007



11 Civic Center Plaza
Suite 300
P.O. Box 3166
Mankato, MN 56002-3166

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Mankato
Mankato, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mankato, Minnesota (the City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison schedules for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages XIII through XXX is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2008 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, statistical tables and schedules of sources and uses of public funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Also, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis required by U.S. Office management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the schedule of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, statistical tables and schedules of sources and uses of public funds have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

May 22, 2008
Mankato, Minnesota

Abdo, Eick & Meyers, LLP
ABDO, EICK & MEYERS, LLP
Certified Public Accountants

Management's Discussion and Analysis

As management of the City of Mankato (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages I - VII of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$226,922,877 (*net assets*). Of this amount, \$55,368,007 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$16,323,909 in 2007 compared to an increase of \$5,613,130 in 2006.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$26,908,976, a decrease of \$3,321,976 in comparison with the prior year. Approximately 41.5 percent of this total amount, \$11,159,966, is *available for spending* at the City's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General fund was \$9,133,557, or 44.4 percent of total General fund expenditures.
- The City's total debt increased by \$19,503,281 or 17.7 percent during the current fiscal year. The City issued \$31,611,703 in new debt and retired \$12,108,422 of existing debt.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 reflects how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

Figure 1
Required Components of the
City's Annual Financial Report

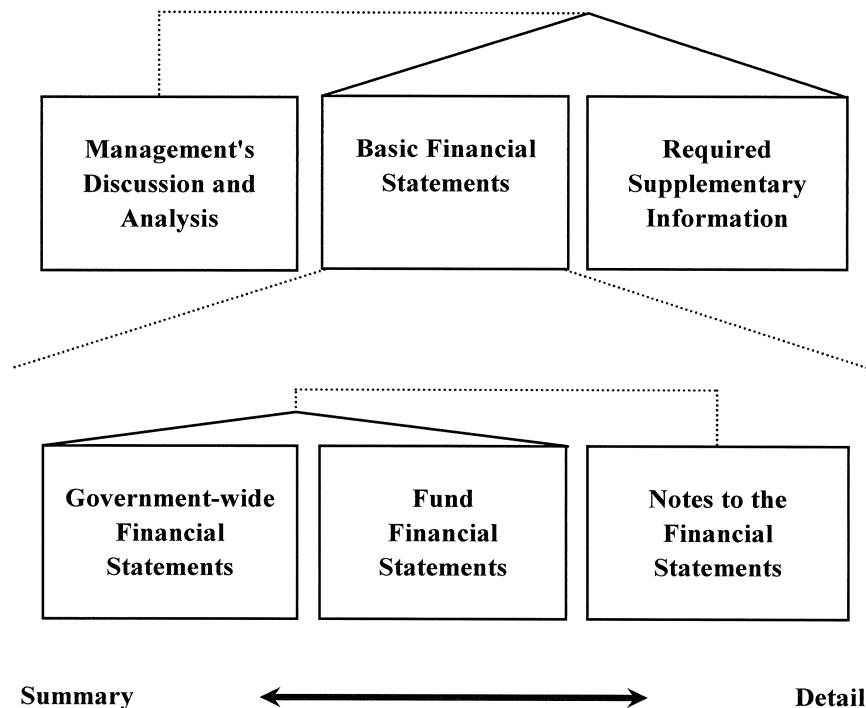


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Revenues, Expenses and Changes in Fund Net Assets • Statement of Cash Flows
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, community development, housing and economic development, and culture and recreation. The business-type activities of the City include water, wastewater, refuse collection, storm water, transit, parking, airport, and civic center operations.

The government-wide financial statements include the City itself (known as the *primary government*), as well as an economic development authority for which the City is financially accountable. Financial information for the economic development authority is classified as a *blended component unit* and is reported separately from the financial information presented for the primary government itself. The economic development authority functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 1 - 3 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains fifty-four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, the Debt Service fund, the Improvement Bond Redemption fund, the 2006 Improvements fund and the 2007 Improvements fund. All of these funds are considered to be major funds. Data from the other forty-nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 4 - 10 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its utility operations, Eastwood industrial park, storm water utility operations, transit operations, parking system, airport operations, civic center, economic development, and the housing funds of the economic development authority. The housing funds of the economic development authority are presented as a blended component unit of the City. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its central garage, central services fund including information technology, equipment replacement, central housing and central insurance operations. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility fund, Airport fund, Civic Center fund and the Mankato EDA fund. These are considered to be major funds of the City. Conversely, other proprietary funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 11 - 20 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 21 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 - 51 of this report.

Other Information

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 52 - 110 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$226,922,877 at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets (62.7 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 76,683,384	\$ 75,939,393	\$ 28,214,755	\$ 19,231,843	\$ 104,898,139	\$ 95,171,236
Capital assets	124,391,210	118,952,483	139,810,195	115,790,421	264,201,405	234,742,904
Total assets	201,074,594	194,891,876	168,024,950	135,022,264	369,099,544	329,914,140
Long-term liabilities outstanding	78,202,504	76,123,060	53,912,740	36,335,210	132,115,244	112,458,270
Other liabilities	6,306,773	5,193,510	3,754,650	1,663,392	10,061,423	6,856,902
Total liabilities	84,509,277	81,316,570	57,667,390	37,998,602	142,176,667	119,315,172
Invested in capital assets, net of related debt	55,795,488	52,562,940	86,498,601	80,018,461	142,294,089	132,581,401
Restricted	27,760,781	28,248,243	1,500,000	1,500,000	29,260,781	29,748,243
Unrestricted	33,009,048	32,764,123	22,358,959	15,505,201	55,368,007	48,269,324
Total net assets	\$ 116,565,317	\$ 113,575,306	\$ 110,357,560	\$ 97,023,662	\$ 226,922,877	\$ 210,598,968

An additional portion of the City's net assets (12.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (24.4 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

The City's net assets increased by \$16,323,909 during the current fiscal year. The majority of this increase is accounted for by the business-type funds. This is largely attributable to operating grants, capital grants, property taxes and investment earnings.

Governmental activities. Governmental activities increased the City's net assets by \$2,990,011. Key elements of this increase are as follows:

Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues						
Charges for services	\$ 3,843,873	\$ 4,117,379	\$ 20,470,072	\$ 19,849,186	\$ 24,313,945	\$ 23,966,565
Operating grants and contributions	1,794,443	2,003,110	5,495,600	3,373,456	7,290,043	5,376,566
Capital grants and contributions	11,004,189	9,270,983	7,110,688	295,882	18,114,877	9,566,865
General revenues						
Property taxes/ tax increments	10,898,144	9,691,893	308,667	299,717	11,206,811	9,991,610
Other taxes	609,450	578,539	4,218,761	3,715,866	4,828,211	4,294,405
Grants and contributions not restricted to specific programs	8,493,989	8,668,454	3,676	3,534	8,497,665	8,671,988
Unrestricted investments earnings	1,718,552	1,480,550	787,333	621,991	2,505,885	2,102,541
Other	208,834	128,843	9,870	133,866	218,704	262,709
Total revenues	<u>38,571,474</u>	<u>35,939,751</u>	<u>38,404,667</u>	<u>28,293,498</u>	<u>76,976,141</u>	<u>64,233,249</u>

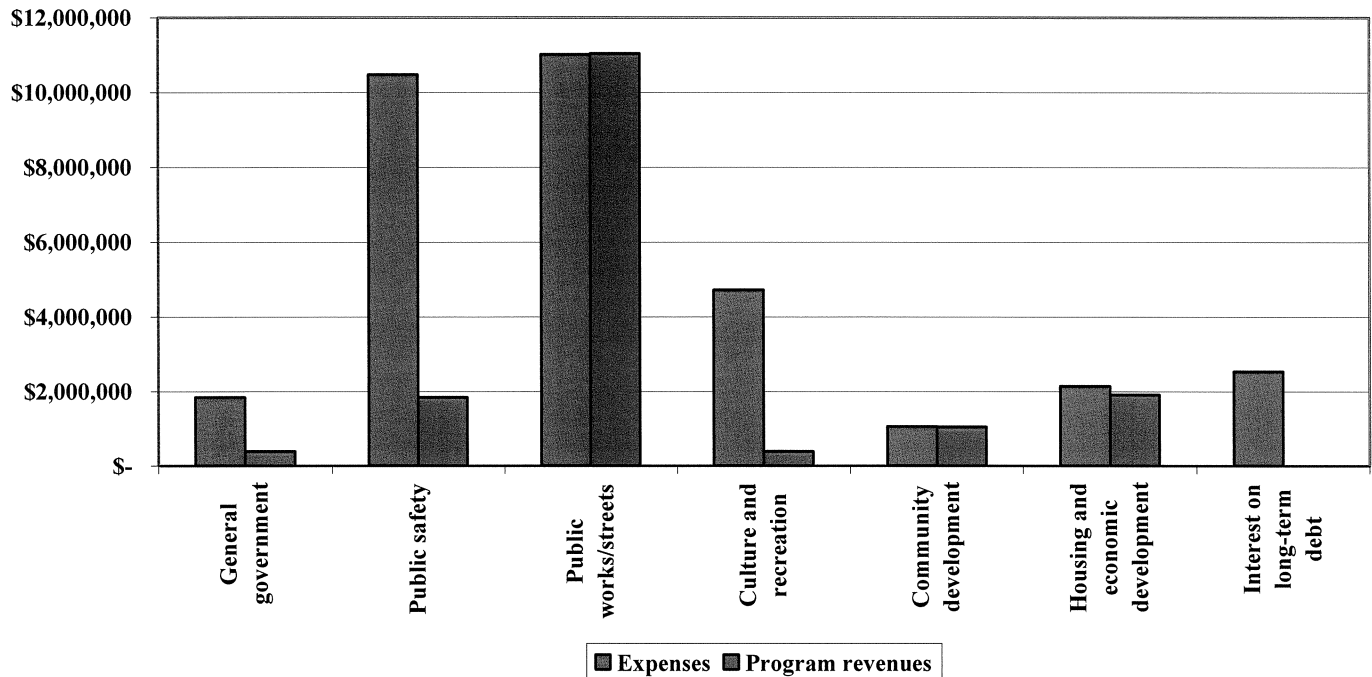
Changes in Net Assets - Continued

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Expenses						
General government	\$ 1,844,659	\$ 1,716,402	\$ -	\$ -	\$ 1,844,659	\$ 1,716,402
Public safety	10,479,212	9,849,750	-	-	10,479,212	9,849,750
Public works/streets	11,017,060	11,769,258	-	-	11,017,060	11,769,258
Culture and recreation	4,723,586	3,173,763	-	-	4,723,586	3,173,763
Community development	1,063,136	1,014,443	-	-	1,063,136	1,014,443
Housing and economic development	2,149,310	5,113,132	-	-	2,149,310	5,113,132
Interest on long-term debt	2,535,481	2,410,934	-	-	2,535,481	2,410,934
Housing and economic development	-	-	6,461,339	4,216,084	6,461,339	4,216,084
Water	-	-	4,395,987	3,881,732	4,395,987	3,881,732
Wastewater	-	-	6,228,157	5,864,688	6,228,157	5,864,688
Refuse	-	-	1,178,315	1,139,592	1,178,315	1,139,592
Storm water	-	-	509,240	656,787	509,240	656,787
Mass transit	-	-	1,445,112	1,464,838	1,445,112	1,464,838
Parking	-	-	939,200	1,100,875	939,200	1,100,875
Airport	-	-	679,120	466,320	679,120	466,320
Civic center/arena	-	-	5,003,318	4,781,521	5,003,318	4,781,521
Total expenses	<u>33,812,444</u>	<u>35,047,682</u>	<u>26,839,788</u>	<u>23,572,437</u>	<u>60,652,232</u>	<u>58,620,119</u>
Increase in net assets before transfers	4,759,030	892,069	11,564,879	4,721,061	16,323,909	5,613,130
Transfers	<u>(1,769,019)</u>	<u>5,696,666</u>	<u>1,769,019</u>	<u>(5,696,666)</u>	<u>-</u>	<u>-</u>
Change in net assets	2,990,011	6,588,735	13,333,898	(975,605)	16,323,909	5,613,130
Net assets - January 1	<u>113,575,306</u>	<u>106,986,571</u>	<u>97,023,662</u>	<u>97,999,267</u>	<u>210,598,968</u>	<u>204,985,838</u>
Net assets - December 31	<u>\$ 116,565,317</u>	<u>\$ 113,575,306</u>	<u>\$ 110,357,560</u>	<u>\$ 97,023,662</u>	<u>\$ 226,922,877</u>	<u>\$ 210,598,968</u>

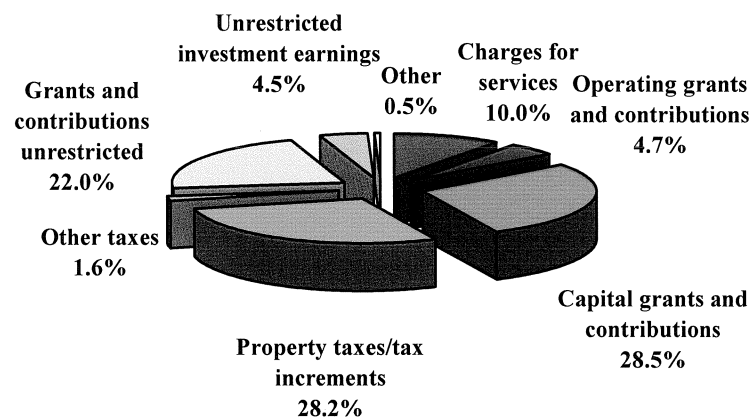
- Property tax collections increased by \$1,206,251 (12.4 percent) during the year. Of this increase, (\$1,034,133) or 85.7% percent is available for General fund purposes. General fund spending has increased 26.77 percent, in aggregate, over a six-year period (or approximately 4.46 percent per annum from 2002 through 2007). The Debt Service accounted for the remaining 14.3 percent of the tax collections (\$172,118). This amount was utilized for the payment of bond principal, bond interest and bond paying agent fees.
- Capital grants and contributions increased by \$1,733,206 for governmental activities. This was due primarily to the fact that assessment levies for 2007 capital projects increased.
- Operating grants for governmental activities totaled \$1,794,443. Public safety accounts for 75.2 percent of the grant activity. This is a result of an aggressive grant application strategy undertaken by the City during the current fiscal year. Housing accounted for 22.8 percent of the grant activity. The grant awards furnished resources to support six of the City's functions: general government, public safety, public works, culture and recreation, housing and economic development and community development.
- Debt Service fund transfers contributed to the decrease in net assets for the fund. Amortization costs for the city's portion of the All Seasons Arena project came on board in 2007 (\$42,828). In addition, 2007 represents the first year of amortization of the infrastructure improvements to the MN DOT Facility (\$132,600). Another factor is represented by transfers made to various improvement funds for finalized costs that were identified as financing sources in the initial package of each respective improvement fund. These transfers totaled \$760,266. The transfer of assessment collections for miscellaneous projects that ere ordered from the Construction Revolving fund amounted to an additional \$142,888.
- The Improvement Bond Redemption fund net assets increased by \$130,175. The was attributed primarily to additional assessment collections, assessment interest and interest earnings.
- The 2006 A Improvement fund witnessed a decrease in net assets of \$2,217,459. This is attributed to a significant spend down of bond proceeds that were received in December of 2006.
- The 2007 A Improvement fund had an increase in net assets of \$2,005,432. This was due to the net of bond proceeds in the amount of \$10,440,000 covering upfronted expenditures of approximately \$8,434,000.

The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



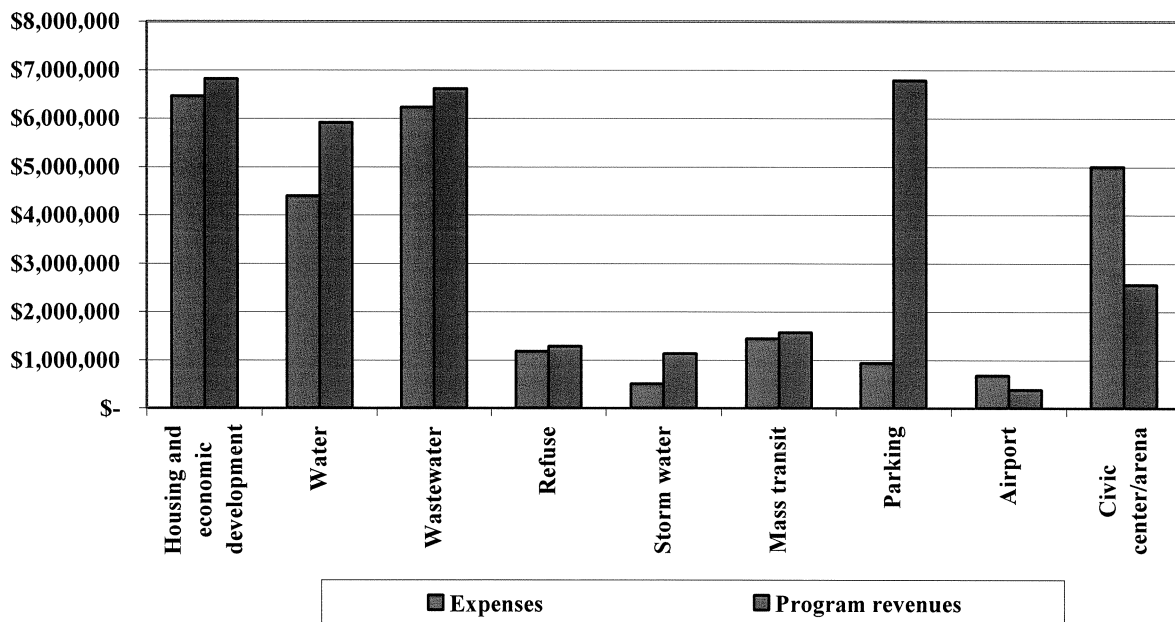
Revenues by Source - Governmental Activities



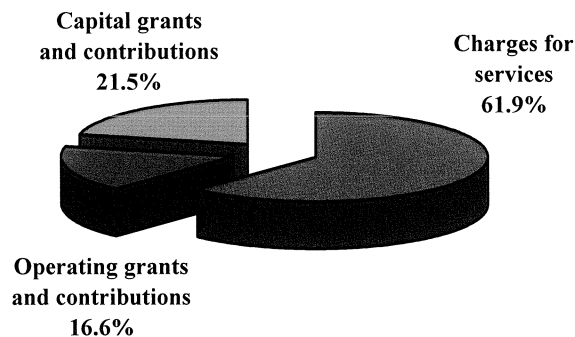
Business-type activities. Business-type activities increased the City's net assets by \$13,333,898 for 2007. Key elements of this increase are as follows:

- User rates for storm water, refuse, transit and parking remained unchanged in 2007. User rates for water and wastewater were increased for 2007.
- Capital grants and contributions increased by \$6,814,806. The majority of this increase (81.6 percent) is attributed to grant funding obtained to finance runway expansion at the airport.
- Operating expenses for business-type activities increased by 13.9 percent in 2007. The City anticipates increasing water utility rates in 2008 as part of the upgrades proposed for the water treatment plant financing. Storm water capital projects and storm water utility rates will be reviewed in 2008 to determine the appropriate level of activity to meet the financing requirements.
- Charges for services for business-type activities increased in the Utility fund by 5.69 percent, the Transit fund by 8.5 percent, the Parking fund by 25.1 percent, and in the Mankato EDA fund by 85.5 percent. Charges for services decreased in the Airport fund by 4.1 percent, the Riverfront 2000 fund by 3.3 percent, the Storm Water fund by 12.4 percent, and the Economic Development fund by 19.8 percent.
- Although transit fares remained unchanged in fiscal year 2007, transit fares are reviewed annually as recommended in a comprehensive management study of the transit system.
- Transit revenues for the University Pass Sales, Parking Lot Shuttle, and Late Night Express / Sober Bus increased significantly in 2007.
- Ridership for the University Campus Express, Parking Lot Shuttle, Stomper Express, and Late Night Express increased in 2007. The collective increase was 10.5 percent.

Expenses and Program Revenues - Business - type Activities



Revenues by Source - Business - type Activities



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$26,908,976, a decrease of \$3,321,976 in comparison with the prior year. Approximately 41.5 percent of this total amount (\$11,159,966) constitutes *unreserved fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to: 1) being held in a residual assets fund for future police expenditures (\$1,379,101), 2) pay debt service (\$14,135,623), 3) an advance to the airport fund for improvements to be repaid via an amortization schedule (\$206,373), or 4) for a variety of other restricted purposes (\$27,913).

The General fund is the chief operating fund of the City. At the end of the current year, unreserved fund balance of the General fund was \$9,157,160, which also represents the total fund balance. During the current fiscal year, unreserved fund balance in the General fund increased by \$155,710. The City had planned for a General fund surplus of \$497 for fiscal year 2007. As a measure of the General fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 44.5 percent of total General fund expenditures.

The City does designate portions of its unrestricted General fund balance. The City is authorized by City Council action to: 1) designate fund balance in an amount up to 45 percent of General fund expenditures for a cash flow reserve, 2) designate fund balance in an amount up to 5 percent of General fund expenditures for an emergency reserve, and 3) designate fund balance in an amount up to 5 percent of the tax levy amount for a property tax adjustment reserve. Any remaining amount of the General fund balance is considered unrestricted and undesignated. As of December 31, 2007, the respective designated fund balances in the General fund were:

- \$6,000,000 for a cash flow reserve or 29.2 percent of General fund expenditures
- \$2,075,000 for an emergency reserve or 10.1 percent of General fund expenditures
- \$500,000 for a property tax adjustment reserve or 2.4 percent of the property tax levy
- \$582,160 of the remaining fund balance is categorized as unreserved and undesignated

Therefore, the City is either under or at its designated fund balance reserve amounts (per City policy) for each category authorized by City Council action.

The fund balance of the City's General fund increased by \$155,710 during the current fiscal year. Key factors in this increase and key strategies contributing to the increase were as follows:

- Council action authorized an increase in the property tax levy.
- Property tax collections increased by \$858,874.
- Charges for services increased by \$62,994.
- Investment earnings increased by \$41,519

The Debt Service fund has a total fund balance of \$14,135,623. Of this amount, \$1,275,982 is allocated for vacation and sick leave balances. The remaining amount of \$12,859,641 is reserved for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service fund was \$2,470,071.

The City issued \$10,440,000 of general obligation improvement bonds series A dated December 1, 2007 for approximately seventeen various projects accounted for in the infrastructure special assessment fund. This issue had a true interest cost (TIC) of 3.83 percent. In addition, the City sold \$735,000 of general obligation charter bonds series B dated December 1, 2007. This issue financed the remaining improvements slated for the Riverside Park project as well as City Center Renaissance infrastructure projects. The true interest cost (TIC) for this issue was 4.069 percent.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the business-type activities at the end of the year amounted to \$20,248,302. The total increase in net assets for business-type activities was \$12,715,794. The Airport fund and Utility fund experienced increases in net assets of \$6,280,982 and \$1,585,001, respectively. The City sales tax generated \$4,218,761 in fiscal year 2007. This represented an increase of 13.5 percent above 2006. The City sales tax collections continue to exceed the initial projection. The EDA and other enterprise funds contributed \$514,099 and \$3,986,963, respectively towards the increase in net assets for 2007. Factors addressing the decline in net assets for the Eastwood Industrial Park Centre Fund are as follows:

- The Eastwood Industrial Park has nearly completed its original mission. The remaining monetary assets have been in the process of being split equally between the City of Mankato and Xcel Energy (the two founding partners). The fund contains a nominal level of assets to address maintenance issues.

General Fund Budgetary Highlights

The City did not amend its General fund budget for 2007. Actual revenues exceeded budget by \$597,341, and actual expenditures exceeded appropriations by \$986,576. Significant budget variances are summarized below:

- Licenses and permits revenue exceeded budget by \$172,684
- Charges for service revenue exceeded budget by \$298,810
- Investment earnings exceeded budget by \$150,339
- Increases in services and charges of \$435,737 are primarily in the public safety areas due to Law Enforcement Center building costs, Dispatch Center costs, and Joint Services costs
- Snow removal costs exceeded budget by \$311,599 primarily due to both weather conditions and rising fuel costs
- Overtime costs exceeded budget by \$180,215 primarily in the areas of police patrol, street maintenance, engineering, and inspections
- Vehicle labor costs exceeded budget by \$129,232
- Telephone costs exceeded budget by \$33,278 primarily in the police patrol and engineering areas
- Building maintenance costs exceeded budget by \$52,370 occurring primarily in the public works area

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2007 amounts to \$264,201,405 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, equipment, vehicles, office equipment, infrastructure, storm sewer systems and improvements. The total increase in the City's investment in capital assets for the current fiscal year was \$29,458,501 which represents a 12.5 percent overall increase (a 4.6 percent increase for governmental activities and a 20.7 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Construction on Phase II of the improvements at the Water Treatment Plant continued in 2007. The value of these improvements is \$15,135,430.
- Construction on various municipal projects such as infrastructure in new residential developments, street reconstruction, street overlays, and critical link sidewalks began in 2006. The construction in progress as of the end of the current fiscal year had reached \$29,903,890.
- Several airport improvements began during the fiscal year. Among these improvements are runway extensions, runway reconstruction, safety improvements, and hangar improvements. The value of these improvements is \$7,110,688.

Capital Assets Net of Depreciation

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 2,665,690	\$ 2,638,362	\$ 4,478,487	\$ 3,894,251	\$ 7,144,177	\$ 6,532,613
Land improvements	651,441	469,017	513,552	526,712	1,164,993	995,729
Buildings and structures	11,915,241	12,514,419	79,910,541	71,923,202	91,825,782	84,437,621
Machinery and vehicles	5,690,203	5,209,584	4,571,110	4,706,656	10,261,313	9,916,240
Office equipment	217,398	256,279	5,588	14,706	222,986	270,985
Infrastructure and other improvements	73,347,347	67,978,151	24,201,919	24,001,873	97,549,266	91,980,024
Construction in progress	29,903,890	29,886,671	26,128,998	10,723,021	56,032,888	40,609,692
Total	<u>\$ 124,391,210</u>	<u>\$ 118,952,483</u>	<u>\$ 139,810,195</u>	<u>\$ 115,790,421</u>	<u>\$ 264,201,405</u>	<u>\$ 234,742,904</u>

Additional information on the City's capital assets can be found in Note 3E on pages 36 through 38 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$129,200,200. Of this amount, \$3,435,000 comprises debt backed by the full faith and credit of the City, \$6,360,664 represents general obligation tax increment bonds, and \$66,495,000 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment. The remainder of the City's debt (\$52,909,536) represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 3,435,000	\$ 3,030,000	\$ -	\$ -	\$ 3,435,000	\$ 3,030,000
G.O. tax increment bonds	6,360,664	6,500,664	-	-	6,360,664	6,500,664
G.O. improvement bonds	66,495,000	64,785,000	-	-	66,495,000	64,785,000
G.O. revenue bonds	-	-	52,909,536	35,257,838	52,909,536	35,257,838
Loans	-	-	579,438	702,855	579,438	702,855
Total	<u>\$ 76,290,664</u>	<u>\$ 74,315,664</u>	<u>\$ 53,488,974</u>	<u>\$ 35,960,693</u>	<u>\$129,779,638</u>	<u>\$110,276,357</u>

The City's total debt increased by \$19,503,281 (17.7 percent) during the current fiscal year. The City issued \$31,611,703 in new debt and retired \$12,108,422 of existing debt principal. The City issued \$10,440,000 in general obligation bonds to finance seventeen projects ranging from street construction and utility infrastructure in new residential developments to street reconstruction and street resurfacing projects. Approximately 59 percent of this activity is considered to be supported by special assessments. This type of bond issuance occurs on an annual basis. In fiscal year 2008, the amount of general obligation debt issuance is anticipated to be between eight and nine million dollars, of which approximately one half will be supported by special assessments. In addition, the City issued \$735,000 in Charter Bonds to finance the remainder of the Riverside Park Project and infrastructure costs associated with the City Center Renaissance initiatives. The entire amount of this bond issue is property tax supported.

During the current fiscal year, the City did not refinance any of its existing debt.

The City experienced "two" bond rating upgrades during fiscal year 2004. The City maintains an "A1" rating from Moody's Investors Service as of the end of fiscal year 2007.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 2 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$48,494,066, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3G on pages 42 through 47 of this report as well as Table 13 in the Statistical Section of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City is currently 4.0 percent, which is a slight increase from a rate of 3.8 percent a year ago. This compares favorably to the State's average annual unemployment rate of 4.7 percent and the national annual average rate of 5.0 percent.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2008 fiscal year.

- The 2008 General fund budget is expected to have a surplus of \$6,446
- The 2008 General fund portion of the property tax levy will increase by 11.82%
- General fund expenditures are expected to increase by 5.3% in 2008
- 2008 funding from Local Government Aid (LGA) is expected to decrease by 6.5%

The water utility rate was increased by 10 percent as a fourth step to finance the upgrades at the water treatment plant, well upgrades, and transmission line enhancements. It is the intent of the City to increase water utility rates for the next year as well. The City is financing the water utility projects through a loan from the Minnesota Public Facilities Authority (MN PFA). The water utility rate increases will be used to pay back the MN PFA Loan. Wastewater rates were increased in 2007 by four percent. The intent of this increase was to cover increase costs of maintenance and operation. Utility rates are reviewed annually in order to assure that adequate funding exists to meet all revenue bond obligations per the bond covenants. In addition, rates are reviewed annually to assure that adequate funding exists for operational purposes as well. The City anticipates increases in water and wastewater utility rates for fiscal year 2008. However, the intention will be a modest increase in both rates.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Mankato, Ten Civic Center Plaza, P.O. Box 3368, Mankato, MN 56002 - 3368.

GOVERNMENT - WIDE FINANCIAL STATEMENTS

CITY OF MANKATO
MANKATO, MINNESOTA

YEAR ENDED
DECEMBER 31, 2007

CITY OF MANKATO, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,995,105	\$ 2,557,398	\$ 5,552,503
Investments	38,168,582	19,686,900	57,855,482
Receivables			
Interest	335,276	33,401	368,677
Delinquent taxes	439,781	190	439,971
Accounts	384,878	3,478,291	3,863,169
Notes	1,947,568	1,108,563	3,056,131
Special assessments	28,829,058	219,119	29,048,177
Intergovernmental	1,123,912	2,626,809	3,750,721
Internal balances	1,952,716	(1,952,716)	-
Inventories	381,356	333,434	714,790
Prepaid items	125,152	61,384	186,536
Capital assets not being depreciated:			
Land	2,665,690	4,478,487	7,144,177
Construction in progress	29,903,890	26,128,998	56,032,888
Capital assets net of accumulated depreciation			
Land improvements	651,441	513,552	1,164,993
Buildings and structures	11,915,241	79,910,541	91,825,782
Machinery and vehicles	5,690,203	4,571,110	10,261,313
Office equipment	217,398	5,588	222,986
Infrastructure and other improvements	73,347,347	24,201,919	97,549,266
TOTAL ASSETS	201,074,594	168,024,950	369,099,544
LIABILITIES			
Accounts and contracts payable	2,272,049	2,849,565	5,121,614
Due to other governments	460,392	82,495	542,887
Accrued interest payable	1,024,860	441,114	1,465,974
Accrued salaries payable	536,009	140,752	676,761
Deposits payable	2,012,193	57,054	2,069,247
Unearned revenue	1,270	183,670	184,940
Noncurrent liabilities			
Due within one year	10,679,920	4,739,870	15,419,790
Due in more than one year	67,522,584	49,172,870	116,695,454
TOTAL LIABILITIES	84,509,277	57,667,390	142,176,667
NET ASSETS			
Invested in capital assets, net of related debt	55,795,488	86,498,601	142,294,089
Restricted for:			
Debt service	26,378,336	1,500,000	27,878,336
Police expenditures	1,379,101	-	1,379,101
Other purposes	3,344	-	3,344
Unrestricted	33,009,048	22,358,959	55,368,007
TOTAL NET ASSETS	\$ 116,565,317	\$ 110,357,560	\$ 226,922,877

The notes to the financial statements are an integral part of this statement.

CITY OF MANKATO, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 1,844,659	\$ 358,194	\$ 32,940	\$ -
Public safety	10,479,212	549,861	1,273,064	21,000
Public works	11,017,060	1,249,714	79,593	9,712,226
Culture and recreation	4,723,586	125,818	-	270,963
Community development	1,063,136	1,055,391	-	-
Housing and economic development	2,149,310	504,895	408,846	1,000,000
Interest on long-term debt	2,535,481	-	-	-
Total governmental activities	33,812,444	3,843,873	1,794,443	11,004,189
Business-type activities				
Housing and economic development	6,461,339	1,763,667	4,490,210	566,365
Water	4,395,987	5,911,898	-	-
Wastewater	6,228,157	6,616,514	-	-
Refuse	1,178,315	1,285,354	-	-
Storm water	509,240	1,137,480	-	-
Mass transit	1,445,112	416,247	932,600	224,488
Airport	939,200	395,404	72,790	6,319,835
Parking	679,120	383,112	-	-
Civic center/arena	5,003,318	2,560,396	-	-
Total business-type activities	26,839,788	20,470,072	5,495,600	7,110,688
Totals	\$ 60,652,232	\$ 24,313,945	\$ 7,290,043	\$ 18,114,877

General revenues

Property taxes, levied for general purposes
Property taxes, levied for debt service
Tax increments
Sales tax
Hotel-motel tax
Gambling tax
Franchise taxes
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Other revenues
Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net assets

Net assets, January 1

Net assets, December 31

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,453,525)	\$ -	\$ (1,453,525)
(8,635,287)	-	(8,635,287)
24,473	-	24,473
(4,326,805)	-	(4,326,805)
(7,745)	-	(7,745)
(235,569)	-	(235,569)
(2,535,481)	-	(2,535,481)
(17,169,939)	-	(17,169,939)
-	358,903	358,903
-	1,515,911	1,515,911
-	388,357	388,357
-	107,039	107,039
-	628,240	628,240
-	128,223	128,223
-	5,848,829	5,848,829
-	(296,008)	(296,008)
-	(2,442,922)	(2,442,922)
-	6,236,572	6,236,572
(17,169,939)	6,236,572	(10,933,367)
6,687,097	187,562	6,874,659
3,034,378	-	3,034,378
1,176,669	121,105	1,297,774
-	4,218,761	4,218,761
340,817	-	340,817
52,422	-	52,422
216,211	-	216,211
8,493,989	3,676	8,497,665
1,718,552	787,333	2,505,885
176,264	-	176,264
32,570	9,870	42,440
(1,769,019)	1,769,019	-
20,159,950	7,097,326	27,257,276
2,990,011	13,333,898	16,323,909
113,575,306	97,023,662	210,598,968
\$ 116,565,317	\$ 110,357,560	\$ 226,922,877

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FUND FINANCIAL STATEMENTS

CITY OF MANKATO
MANKATO, MINNESOTA

YEAR ENDED
DECEMBER 31, 2007

GOVERNMENTAL FUNDS

CITY OF MANKATO
MANKATO, MINNESOTA

YEAR ENDED
DECEMBER 31, 2007

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CITY OF MANKATO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	General	Debt Service	Improvement Bond Redemption	Improvements 2006
ASSETS				
Cash and cash equivalents	\$ 185,347	\$ 68,931	\$ 52,923	\$ 2,299
Investments	8,768,582	6,000,000	800,000	-
Receivables				
Interest	335,276	-	-	-
Delinquent taxes	248,046	97,553	-	-
Accounts	128,402	-	-	-
Loans	-	-	-	-
Special assessments	-	20,166,200	8,118,447	-
Intergovernmental	258,422	79,680	-	-
Due from other funds	467,000	8,500,000	-	-
Advances to other funds	-	-	-	-
Prepaid items	23,603	-	-	-
TOTAL ASSETS	\$ 10,414,678	\$ 34,912,364	\$ 8,971,370	\$ 2,299
LIABILITIES AND FUND BALANCES (DEFICITS)				
LIABILITIES				
Accounts payable	\$ 144,365	\$ -	\$ -	\$ 363,297
Due to other funds	-	-	-	265,000
Advances from other funds	-	-	-	-
Due to other governments	460,392	-	-	-
Accrued interest payable	-	14,484	-	-
Wages payable	404,715	-	-	-
Deposits payable	-	498,504	-	-
Deferred revenue	248,046	20,263,753	8,118,447	-
TOTAL LIABILITIES	1,257,518	20,776,741	8,118,447	628,297
FUND BALANCES (DEFICITS)				
Reserved for				
Debt service	-	14,135,623	-	-
Advances to other funds	-	-	-	-
Prepaid items	23,603	-	-	-
Police expenditures	-	-	-	-
Other purposes	-	-	-	-
Unreserved, designated for, reported in:				
General fund				
Tax adjustment	500,000	-	-	-
Emergencies	2,075,000	-	-	-
Cash flow	6,000,000	-	-	-
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Unreserved, reported in:				
General fund	558,557	-	-	-
Special revenue funds	-	-	-	-
Capital projects funds	-	-	852,923	(625,998)
TOTAL FUND BALANCES	9,157,160	14,135,623	852,923	(625,998)
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,414,678	\$ 34,912,364	\$ 8,971,370	\$ 2,299

The notes to the financial statements are an integral part of this statement.

Improvements 2007	Other Governmental Funds	Total Governmental Funds
\$ 76,299	\$ 1,323,921	\$ 1,709,720
2,100,000	12,300,000	29,968,582
-	-	335,276
-	94,182	439,781
-	130,031	258,433
-	1,947,568	1,947,568
-	544,411	28,829,058
-	465,577	803,679
-	-	8,967,000
-	206,373	206,373
-	966	24,569
<u>\$ 2,176,299</u>	<u>\$ 17,013,029</u>	<u>\$ 73,490,039</u>
\$ 309,140	\$ 759,724	\$ 1,576,526
-	10,345,000	10,610,000
-	1,070,331	1,070,331
-	-	460,392
-	-	14,484
-	17,950	422,665
-	940,555	1,439,059
-	2,357,360	30,987,606
<u>309,140</u>	<u>15,490,920</u>	<u>46,581,063</u>
-	-	14,135,623
-	206,373	206,373
-	966	24,569
-	1,379,101	1,379,101
-	3,344	3,344
-	-	500,000
-	-	2,075,000
-	-	6,000,000
-	6,221,054	6,221,054
-	4,208,805	4,208,805
-	-	558,557
-	(556,947)	(556,947)
<u>1,867,159</u>	<u>(9,940,587)</u>	<u>(7,846,503)</u>
<u>1,867,159</u>	<u>1,522,109</u>	<u>26,908,976</u>
<u>\$ 2,176,299</u>	<u>\$ 17,013,029</u>	<u>\$ 73,490,039</u>

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CITY OF MANKATO, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2007

Total fund balances - governmental funds	\$ 26,908,976
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	118,615,210
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Severance payable	(1,275,982)
Bonds payable	(76,290,664)
Bond discounts/issue costs, net of accumulated amortization	193,978
Bond premiums, net of accumulated amortization	(430,274)
Long-term assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.	
Delinquent property taxes receivable	439,781
Loans receivable	1,718,767
Special assessments receivable	28,829,058
Governmental funds do not report a liability for accrued interest until due and payable.	(1,010,376)
Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	<u>18,866,843</u>
Total net assets - governmental activities	<u><u>\$ 116,565,317</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF MANKATO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2007

	General	Debt Service	Improvement Bond Redemption	Improvements 2006
REVENUES				
Taxes	\$ 7,238,066	\$ 2,740,442	\$ -	\$ -
Special assessments	-	6,001,152	102,085	-
Licenses and permits	1,299,885	-	-	-
Intergovernmental	9,621,132	171,384	-	-
Charges for services	1,469,825	-	-	-
Fines and forfeits	310,408	-	-	-
Investment income	250,339	350,236	28,630	10,288
Miscellaneous	337,277	18,000	-	-
	<u>20,526,932</u>	<u>9,281,214</u>	<u>130,715</u>	<u>10,288</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
General government	1,588,177	299,512	-	-
Public safety	9,815,725	-	-	-
Public works	5,054,140	-	-	-
Culture and recreation	2,640,125	-	-	-
Community development	1,069,458	-	-	-
Housing and economic development	-	15,197	-	-
Capital outlay				
Public safety	208,539	-	-	-
Public works	81,044	-	-	2,217,652
Culture and recreation	111,524	-	-	-
Housing and economic development	-	-	-	-
Debt service				
Principal	-	9,200,000	-	-
Interest and other	-	2,432,844	-	10,095
	<u>20,568,732</u>	<u>11,947,553</u>	<u>-</u>	<u>2,227,747</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(41,800)</u>	<u>(2,666,339)</u>	<u>130,715</u>	<u>(2,217,459)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,043,561	1,748,000	-	-
Bonds issued	-	135,720	-	-
Bond discount/premium on bonds issued	-	-	-	-
Transfers out	(846,051)	(1,687,452)	-	-
	<u>197,510</u>	<u>196,268</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES	155,710	(2,470,071)	130,715	(2,217,459)
FUND BALANCES (DEFICITS), JANUARY 1	<u>9,001,450</u>	<u>16,605,694</u>	<u>722,208</u>	<u>1,591,461</u>
FUND BALANCES (DEFICITS), DECEMBER 31	<u>\$ 9,157,160</u>	<u>\$ 14,135,623</u>	<u>\$ 852,923</u>	<u>\$ (625,998)</u>

The notes to the financial statements are an integral part of this statement.

Improvements 2007	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,396,778	\$ 11,375,286
-	279,808	6,383,045
-	-	1,299,885
-	1,962,940	11,755,456
-	38,176	1,508,001
-	-	310,408
-	490,286	1,129,779
-	1,433,096	1,788,373
-	5,601,084	35,550,233
-	63,285	1,950,974
-	714,716	10,530,441
-	1,424	5,055,564
-	30,688	2,670,813
-	-	1,069,458
-	1,283,487	1,298,684
-	94,341	302,880
8,716,743	1,468,704	12,484,143
-	2,063,797	2,175,321
-	3,377,361	3,377,361
-	-	9,200,000
34,377	83,129	2,560,445
8,751,120	9,180,932	52,676,084
(8,751,120)	(3,579,848)	(17,125,851)
410,512	3,694,997	6,897,070
10,304,280	735,000	11,175,000
41,760	(2,712)	39,048
-	(1,773,740)	(4,307,243)
10,756,552	2,653,545	13,803,875
2,005,432	(926,303)	(3,321,976)
(138,273)	2,448,412	30,230,952
\$ 1,867,159	\$ 1,522,109	\$ 26,908,976

CITY OF MANKATO, MINNESOTA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES -
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2007

Net change in fund balances - governmental funds \$ (3,321,976)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.

Capital outlay	15,599,841
Depreciation expense	(7,076,711)
Capital contributions to business-type activities	(3,528,846)

The statement of activities reports losses arising from trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets.

(432)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal repayments	9,200,000
Debt issued or incurred	(11,175,000)
Discount on bonds issued, net of amortization expense	(1,951)
Premium on bonds issued, net of amortization expense	(6,510)
Bond issuance costs, net of amortization expense	27,674

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

(54,202)

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.

Property taxes	132,308
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Certain revenues are recognized as soon as it is earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.

Special assessments	2,944,747
Loan repayments	(101,482)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(81,284)
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Some expenditures reported in the governmental funds are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Loans made	18,975
------------	--------

Internal service funds are used by management to charge the costs of various services to individual funds. The net revenues of certain activities of internal service funds is reported with governmental activities.

414,860

Change in net assets - governmental activities

\$ 2,990,011

The notes to the financial statements are an integral part of this statement.

CITY OF MANKATO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 7,981,664	\$ 7,981,664	\$ 7,238,066	\$ (743,598)
Licenses and permits	1,127,201	1,127,201	1,299,885	172,684
Intergovernmental	8,856,545	8,856,545	9,621,132	764,587
Charges for services	1,171,015	1,171,015	1,469,825	298,810
Fines and forfeits	328,000	328,000	310,408	(17,592)
Investment income	100,000	100,000	250,339	150,339
Miscellaneous	365,166	365,166	337,277	(27,889)
TOTAL REVENUES	19,929,591	19,929,591	20,526,932	597,341
EXPENDITURES				
Current				
General government	1,614,995	1,614,995	1,588,177	26,818
Public safety	9,281,233	9,281,233	9,815,725	(534,492)
Public works	4,846,695	4,846,695	5,054,140	(207,445)
Culture and recreation	2,605,068	2,605,068	2,640,125	(35,057)
Community development	992,240	992,240	1,069,458	(77,218)
Capital outlay				
Public safety	58,100	58,100	208,539	(150,439)
Public works	56,825	56,825	81,044	(24,219)
Culture and recreation	122,000	122,000	111,524	10,476
Community development	5,000	5,000	-	5,000
TOTAL EXPENDITURES	19,582,156	19,582,156	20,568,732	(986,576)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	347,435	347,435	(41,800)	(389,235)
OTHER FINANCING SOURCES (USES)				
Transfers in	313,500	313,500	1,043,561	730,061
Transfers out	(660,438)	(660,438)	(846,051)	(185,613)
TOTAL OTHER FINANCING SOURCES (USES)	(346,938)	(346,938)	197,510	544,448
NET CHANGE IN FUND BALANCES	497	497	155,710	155,213
FUND BALANCES, JANUARY 1	9,001,450	9,001,450	9,001,450	-
FUND BALANCES, DECEMBER 31	\$ 9,001,947	\$ 9,001,947	\$ 9,157,160	\$ 155,213

The notes to the financial statements are an integral part of this statement.

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PROPRIETARY FUNDS

CITY OF MANKATO
MANKATO, MINNESOTA

YEAR ENDED
DECEMBER 31, 2007

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CITY OF MANKATO, MINNESOTA
STATEMENTS OF NET ASSETS - CONTINUED ON FOLLOWING PAGES
PROPRIETARY FUNDS
DECEMBER 31, 2007 AND 2006

	Business-type Activities - Enterprise Funds			
	603		612	
	Utility		Airport	
	2007	2006	2007	2006
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 909,011	\$ 447,655	\$ 81,469	\$ 498,851
Investments	10,000,000	9,500,000	-	-
Investments - Industrial Park	-	-	-	-
Receivables				
Interest	-	-	-	-
Delinquent taxes	-	-	-	-
Loans - current portion	-	-	-	-
Accounts	1,525,019	1,638,417	24,822	13,069
Due from employees	-	-	-	-
Sponsorship rights	-	-	-	-
Intergovernmental	980,879	286,515	912,933	-
Due from other funds	-	-	-	-
Advances to other funds - current	-	-	-	-
Inventories	300,747	258,355	-	-
Prepaid items	8,833	6,861	6,263	8,992
TOTAL CURRENT ASSETS	13,724,489	12,137,803	1,025,487	520,912
NONCURRENT ASSETS				
Restricted assets				
Cash and cash equivalents	-	-	-	-
Loans receivable - net of current portion	-	-	20,380	34,823
Sponsorship rights receivable - net of current portion	-	-	-	-
Special assessments receivable - deferred	-	-	-	-
Advances to other funds - net of current portion	-	-	-	-
Capital assets:				
Land	152,875	152,875	1,351,688	751,807
Land improvements	-	-	-	-
Buildings and structures	49,920,341	49,342,148	24,771,596	17,821,970
Machinery and vehicles	8,187,486	8,299,323	173,397	156,205
Office equipment	89,248	95,666	64,727	64,727
Infrastructure and other improvements	37,369,722	36,282,456	-	-
Construction in progress	25,816,388	10,680,958	-	-
Less accumulated depreciation	(33,228,610)	(30,825,320)	(3,933,516)	(3,502,991)
Total capital assets, net of accumulated depreciation	88,307,450	74,028,106	22,427,892	15,291,718
TOTAL NONCURRENT ASSETS	88,307,450	74,028,106	22,448,272	15,326,541
TOTAL ASSETS	102,031,939	86,165,909	23,473,759	15,847,453

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds								Governmental
620		Mankato EDA		Other Enterprise Funds		Totals		Activities-
Riverfront 2000/Civic Center								Internal
2007	2006	2007	2006	2007	2006	2007	2006	Service
								Funds
\$ 282,284	\$ 997,674	\$ 228,196	\$ 290,006	\$ 1,056,438	\$ 638,643	\$ 2,557,398	\$ 2,872,829	\$ 1,285,385
2,150,000	1,750,000	1,600,000	1,200,000	5,200,000	4,900,000	18,950,000	17,350,000	8,200,000
-	-	-	-	736,900	736,900	736,900	736,900	-
-	-	33,401	26,932	-	-	33,401	26,932	-
-	-	-	-	190	201	190	201	-
-	-	-	-	-	13,163	-	13,163	-
316,580	199,551	6,897	6,704	196,973	144,674	2,070,291	2,002,415	52,121
-	-	-	-	-	-	-	-	74,324
154,000	154,000	-	-	-	-	154,000	154,000	-
528,121	291,038	46,244	23,968	158,632	176,219	2,626,809	777,740	320,233
-	-	-	-	-	-	-	-	5,500,000
-	-	-	-	-	-	-	-	244,668
32,687	25,005	-	-	-	-	333,434	283,360	381,356
17,899	19,074	20,868	2,452	7,521	13,170	61,384	50,549	100,583
3,481,571	3,436,342	1,935,606	1,550,062	7,356,654	6,622,970	27,523,807	24,268,089	16,158,670
-	-	61,982	95,831	-	-	61,982	95,831	-
-	-	-	-	1,088,183	301,929	1,108,563	336,752	-
1,254,000	1,408,000	-	-	-	-	1,254,000	1,408,000	-
-	-	-	-	219,119	182,135	219,119	182,135	-
-	-	-	-	-	-	-	-	825,663
-	-	1,331,855	1,347,500	1,642,069	1,642,069	4,478,487	3,894,251	197,223
-	-	-	-	547,257	547,257	547,257	547,257	-
23,211,434	22,794,039	7,398,855	7,103,036	12,273,873	9,578,893	117,576,099	106,640,086	1,556,103
2,084,984	1,928,869	-	-	779,735	548,779	11,225,602	10,933,176	13,869,119
492,909	492,909	65,728	67,260	61,437	61,437	774,049	781,999	544,730
-	-	-	-	72,982	72,982	37,442,704	36,355,438	-
-	-	312,610	42,063	-	-	26,128,998	10,723,021	-
(7,367,246)	(6,790,250)	(5,294,682)	(4,811,617)	(8,538,947)	(8,154,629)	(58,363,001)	(54,084,807)	(10,391,175)
18,422,081	18,425,567	3,814,366	3,748,242	6,838,406	4,296,788	139,810,195	115,790,421	5,776,000
19,676,081	19,833,567	3,876,348	3,844,073	8,145,708	4,780,852	142,453,859	117,813,139	6,601,663
23,157,652	23,269,909	5,811,954	5,394,135	15,502,362	11,403,822	169,977,666	142,081,228	22,760,333

CITY OF MANKATO, MINNESOTA
STATEMENTS OF NET ASSETS - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2007 AND 2006

	Business-type Activities - Enterprise Funds			
	603		612	
	Utility		Airport	
	2007	2006	2007	2006
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 2,456,350	\$ 439,776	\$ 63,885	\$ -
Due to other funds	1,725,000	8,200,000	1,450,000	-
Advances from other funds - current portion	-	-	36,610	45,144
Due to other governments	-	-	-	-
Accrued interest payable	425,447	281,810	-	-
Wages payable	92,612	79,852	-	-
Compensated absences payable	174,412	192,005	-	-
Deposits payable	-	-	-	-
Deferred revenue	-	-	-	-
Loans payable - current portion	-	-	75,416	123,416
Bonds payable - current portion	3,502,972	1,879,134	-	-
TOTAL CURRENT LIABILITIES	8,376,793	11,072,577	1,625,911	168,560
NONCURRENT LIABILITIES				
Advances from other funds - net of current portion	-	-	169,763	206,373
Compensated absences payable	136,976	92,176	-	-
Unamortized bond discount	(15,900)	(20,700)	-	-
Unamortized bond premium	2,907	3,554	-	-
Loans payable - net of current portion	-	-	347,155	422,572
Bonds payable - net of current portion	38,466,564	21,538,704	-	-
TOTAL NONCURRENT LIABILITIES	38,590,547	21,613,734	516,918	628,945
TOTAL LIABILITIES	46,967,340	32,686,311	2,142,829	797,505
NET ASSETS				
Invested in capital assets, net of related debt	46,350,907	50,627,414	22,005,321	14,745,730
Restricted for debt service	-	-	-	-
Unrestricted	8,713,692	2,852,184	(674,391)	304,218
TOTAL NET ASSETS	\$ 55,064,599	\$ 53,479,598	\$ 21,330,930	\$ 15,049,948

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds								Governmental
620								Activities-
Riverfront 2000/Civic Center		Mankato EDA		Other Enterprise Funds		Totals		Internal
								Service
2007	2006	2007	2006	2007	2006	2007	2006	Funds
\$ 153,949	\$ 324,797	\$ 63,977	\$ 87,931	\$ 107,156	\$ 2,785	\$ 2,845,317	\$ 855,289	\$ 695,523
682,000	100,000	-	-	-	-	3,857,000	8,300,000	-
-	-	-	-	-	-	36,610	45,144	-
22,643	33,341	59,852	133,547	-	-	82,495	166,888	-
15,667	30,479	-	-	-	-	441,114	312,289	-
17,597	17,161	-	-	30,543	27,341	140,752	124,354	113,344
18,098	16,500	-	-	28,972	23,520	221,482	232,025	221,398
-	-	32,379	29,360	24,675	24,675	57,054	54,035	573,134
181,179	140,048	739	2,389	6,000	8,100	187,918	150,537	1,270
-	-	-	-	-	-	75,416	123,416	-
940,000	900,000	-	-	-	-	4,442,972	2,779,134	-
2,031,133	1,562,326	156,947	253,227	197,346	86,421	12,388,130	13,143,111	1,604,669
-	-	-	-	-	-	169,763	206,373	-
25,142	22,155	-	-	60,679	60,027	222,797	174,358	178,164
(7,520)	(14,720)	-	-	-	-	(23,420)	(35,420)	-
-	-	-	-	-	-	2,907	3,554	-
-	-	-	-	156,867	156,867	504,022	579,439	-
10,000,000	10,940,000	-	-	-	-	48,466,564	32,478,704	-
10,017,622	10,947,435	-	-	217,546	216,894	49,342,633	33,407,008	178,164
12,048,755	12,509,761	156,947	253,227	414,892	303,315	61,730,763	46,550,119	1,782,833
7,489,601	6,600,287	3,814,366	3,748,242	6,838,406	4,296,788	86,498,601	80,018,461	5,776,000
1,500,000	1,500,000	-	-	-	-	1,500,000	1,500,000	-
2,119,296	2,659,861	1,840,641	1,392,666	8,249,064	6,803,719	20,248,302	14,012,648	15,201,500
<u>\$ 11,108,897</u>	<u>\$ 10,760,148</u>	<u>\$ 5,655,007</u>	<u>\$ 5,140,908</u>	<u>\$ 15,087,470</u>	<u>\$ 11,100,507</u>	108,246,903	95,531,109	<u>\$ 20,977,500</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						2,110,657	1,492,553	
Net assets of business-type activities						<u>\$ 110,357,560</u>	<u>\$ 97,023,662</u>	

CITY OF MANKATO, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	Business-type Activities - Enterprise Funds			
	603		612	
	Utility		Airport	
	2007	2006	2007	2006
OPERATING REVENUES				
Sales	\$ -	\$ -	\$ -	\$ -
Cost of sales	-	-	-	-
GROSS PROFIT	-	-	-	-
Charges for services	13,636,659	12,902,345	304,535	317,392
TOTAL OPERATING REVENUES	13,636,659	12,902,345	304,535	317,392
OPERATING EXPENSES				
Salaries and benefits	2,798,369	2,570,054	130,776	130,648
Supplies	1,232,087	1,026,420	34,848	28,868
Other services and charges	2,863,561	2,668,342	209,462	402,475
Vehicle operation	466,185	303,001	59,019	35,892
Insurance	59,745	56,605	30,469	26,650
Utilities	1,062,816	995,155	31,872	36,859
Depreciation	2,566,113	2,585,408	442,389	427,483
TOTAL OPERATING EXPENSES	11,048,876	10,204,985	938,835	1,088,875
OPERATING INCOME (LOSS)	2,587,783	2,697,360	(634,300)	(771,483)
NONOPERATING REVENUES (EXPENSES)				
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental				
Federal	-	-	5,560,354	11,918
State	-	-	771,541	308,118
Local	-	-	-	-
Fines and forfeits	-	-	-	-
Investment income	380,115	258,059	7,609	9,791
Rents	122,673	146,647	-	-
Miscellaneous income	54,434	123,035	90,869	77,928
Gain (loss) on sale of assets	(82,600)	(14,262)	-	-
Interest expense	(929,691)	(742,887)	(15,091)	(18,722)
TOTAL NONOPERATING REVENUES (EXPENSES)	(455,069)	(229,408)	6,415,282	389,033
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	2,132,714	2,467,952	5,780,982	(382,450)
CAPITAL CONTRIBUTIONS	795,630	866,930	-	-
TRANSFERS IN	-	-	500,000	682,948
TRANSFERS OUT	(1,343,343)	(1,206,919)	-	-
CHANGE IN NET ASSETS	1,585,001	2,127,963	6,280,982	300,498
NET ASSETS, JANUARY 1	53,479,598	51,351,635	15,049,948	14,749,450
NET ASSETS, DECEMBER 31	\$ 55,064,599	\$ 53,479,598	\$ 21,330,930	\$ 15,049,948

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds								Governmental
620								Activities-
Riverfront 2000/Civic Center		Mankato EDA		Other Enterprise Funds		Totals		Internal
2007	2006	2007	2006	2007	2006	2007	2006	Service
								Funds
\$ 1,126,662	\$ 1,280,448	\$ -	\$ -	\$ -	\$ -	\$ 1,126,662	\$ 1,280,448	\$ -
(593,899)	(664,331)	-	-	-	-	(593,899)	(664,331)	-
532,763	616,117	-	-	-	-	532,763	616,117	-
1,413,340	1,461,104	933,257	503,117	2,527,937	2,827,084	18,815,728	18,011,042	12,181,863
1,946,103	2,077,221	933,257	503,117	2,527,937	2,827,084	19,348,491	18,627,159	12,181,863
630,415	635,603	905,395	488,802	1,073,116	1,023,838	5,538,071	4,848,945	3,634,237
328,222	150,144	90,063	55,389	122,234	89,132	1,807,454	1,349,953	1,496,035
2,069,411	2,031,541	3,728,305	2,002,857	1,212,797	1,619,346	10,083,536	8,724,561	4,694,043
49,500	46,475	38,090	18,676	595,655	585,056	1,208,449	989,100	127,742
33,154	43,200	63,433	51,968	87,743	103,016	274,544	281,439	245,041
345,312	282,261	248,527	132,875	112,421	103,092	1,800,948	1,550,242	113,834
577,683	512,443	484,597	258,074	422,238	329,776	4,493,020	4,113,184	1,011,031
4,033,697	3,701,667	5,558,410	3,008,641	3,626,204	3,853,256	25,206,022	21,857,424	11,321,963
(2,087,594)	(1,624,446)	(4,625,153)	(2,505,524)	(1,098,267)	(1,026,172)	(5,857,531)	(3,230,265)	859,900
4,218,761	3,715,866	-	-	308,667	299,717	4,527,428	4,015,583	-
-	-	-	-	-	-	-	-	29,522
-	-	-	-	219,119	176,005	219,119	176,005	-
-	-	5,056,575	2,427,748	315,367	197,910	10,932,296	2,637,576	-
-	-	-	-	596,309	725,584	1,367,850	1,033,702	285,218
-	-	-	-	24,600	1,594	24,600	1,594	-
-	-	-	-	-	-	-	-	8,935
75,159	63,411	93,322	37,059	231,128	253,671	787,333	621,991	588,773
-	-	-	-	-	-	122,673	146,647	-
10,027	13,378	-	-	20,193	10,714	175,523	225,055	58,046
-	(403)	(10,645)	-	103,115	148,128	9,870	133,463	32,570
(417,604)	(432,471)	-	-	-	-	(1,362,386)	(1,194,080)	-
3,886,343	3,359,781	5,139,252	2,464,807	1,818,498	1,813,323	16,804,306	7,797,536	1,003,064
1,798,749	1,735,335	514,099	(40,717)	720,231	787,151	10,946,775	4,567,271	1,862,964
-	-	-	-	2,733,216	-	3,528,846	866,930	-
50,000	50,000	334,705	204,967	1,762,679	1,900,352	2,647,384	2,838,267	34,851
(1,500,000)	(1,682,948)	(334,705)	(204,967)	(1,229,163)	(6,307,029)	(4,407,211)	(9,401,863)	(864,851)
348,749	102,387	514,099	(40,717)	3,986,963	(3,619,526)	12,715,794	(1,129,395)	1,032,964
10,760,148	10,657,761	5,140,908	5,181,625	11,100,507	14,720,033	95,531,109	96,660,504	19,944,536
\$ 11,108,897	\$ 10,760,148	\$ 5,655,007	\$ 5,140,908	\$ 15,087,470	\$ 11,100,507	\$ 108,246,903	\$ 95,531,109	\$ 20,977,500
Change in net assets as shown above						\$ 12,715,794	\$ (1,129,395)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						618,104	153,790	
Change in net assets of business-type activities						\$ 13,333,898	\$ (975,605)	

CITY OF MANKATO, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED ON FOLLOWING PAGES
PROPRIETARY FUNDS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	Business-type Activities - Enterprise Funds			
	603		612	
	Utility		Airport	
	2007	2006	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services provided	\$ -	\$ -	\$ -	\$ -
Receipts from customers and users	13,927,256	12,651,876	292,782	312,979
Other cash receipts	177,107	269,682	90,869	77,928
Payments to suppliers	(4,683,773)	(4,285,306)	(191,116)	(452,825)
Payments to and on behalf of employees	(2,333,726)	(2,175,583)	(130,776)	(132,603)
Payments for interfund services provided	(1,708,195)	(1,398,353)	(107,940)	(82,857)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	5,378,669	5,062,316	(46,181)	(277,378)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	-	500,000	682,948
Transfers to other funds	(1,343,343)	(1,206,919)	-	-
Decrease in due from other funds	-	-	-	-
Increase in due to other funds	(6,475,000)	5,012,568	-	-
Decrease in due to other funds	-	-	1,450,000	(100,000)
Principal received on advances to other funds	-	-	-	-
Tax receipts	-	-	-	-
Intergovernmental operating grants received	-	-	72,790	72,790
Principal paid on advances from other funds	-	-	(45,144)	(89,089)
Interest paid on advances from other funds	-	-	(15,091)	(18,722)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(7,818,343)	3,805,649	1,962,555	547,927
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisitions of capital assets	(13,877,319)	(7,883,406)	(7,578,563)	(969,897)
Intergovernmental contributions for capital assets	-	-	5,346,172	830,808
Proceeds from issuances of long-term debt	19,565,140	2,309,300	-	345,792
Proceeds from sale of capital assets	-	-	-	-
Principal paid on long-term debt	(1,885,005)	(1,764,342)	(123,417)	(94,600)
Interest paid on long-term debt	(781,901)	(743,023)	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	3,020,915	(8,081,471)	(2,355,808)	112,103
CASH FLOWS FROM INVESTING ACTIVITIES				
Payment received on loans	-	-	14,443	13,761
Loans issued	-	-	-	-
Interest received on investments	380,115	258,059	7,609	9,791
Sale of investments	-	-	-	-
Purchase of investments	(500,000)	(1,500,000)	-	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(119,885)	(1,241,941)	22,052	23,552

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds								Governmental
620								Activities-
Riverfront 2000/Civic Center		Mankato EDA		Other Enterprise Funds		Totals		Internal
2007	2006	2007	2006	2007	2006	2007	2006	Service
								Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,620,829
2,618,104	2,915,595	849,025	445,989	2,473,538	2,852,156	20,160,705	19,178,595	1,541,937
10,027	13,378	85,449	46,575	202,328	176,278	565,780	583,841	96,503
(3,166,274)	(2,713,191)	(4,143,679)	(2,214,332)	(1,173,702)	(1,749,118)	(13,358,544)	(11,414,772)	(6,435,984)
(513,466)	(497,651)	-	-	(974,474)	(929,184)	(3,952,442)	(3,735,021)	(3,079,654)
(553,205)	(555,079)	(943,485)	(550,479)	(936,464)	(891,428)	(4,249,289)	(3,478,196)	(945,732)
(1,604,814)	(836,948)	(4,152,690)	(2,272,247)	(408,774)	(541,296)	(833,790)	1,134,447	1,797,899
50,000	50,000	38,886	-	1,762,679	1,900,352	2,351,565	2,633,300	34,851
(1,500,000)	(1,682,948)	(38,886)	-	(1,229,163)	(6,307,029)	(4,111,392)	(9,196,896)	(864,851)
-	-	-	-	-	-	-	-	(500,000)
-	-	-	-	-	(20,960)	(6,475,000)	4,991,608	-
582,000	100,000	-	-	-	-	2,032,000	-	-
-	-	-	-	-	-	-	-	230,819
3,981,678	4,056,810	-	-	308,678	299,920	4,290,356	4,356,730	-
-	-	4,365,179	2,416,640	953,863	932,112	5,391,832	3,421,542	-
-	-	-	-	-	-	(45,144)	(89,089)	-
-	-	-	-	-	-	(15,091)	(18,722)	-
3,113,678	2,523,862	4,365,179	2,416,640	1,796,057	(3,195,605)	3,419,126	6,098,473	(1,099,181)
(574,197)	(305,402)	(566,366)	(47,394)	(234,625)	(290,716)	(22,831,070)	(9,496,815)	(1,464,582)
-	-	566,365	48,636	-	-	5,912,537	879,444	-
-	-	-	-	-	-	19,565,140	2,655,092	-
-	-	5,000	-	107,100	304,686	112,100	304,686	38,450
(900,000)	(860,000)	-	-	-	-	(2,908,422)	(2,718,942)	-
(425,216)	(439,387)	-	-	-	-	(1,207,117)	(1,182,410)	-
(1,899,413)	(1,604,789)	4,999	1,242	(127,525)	13,970	(1,356,832)	(9,558,945)	(1,426,132)
-	-	-	-	40,121	6,328	54,564	20,089	9,952
-	-	-	-	(813,212)	(202,606)	(813,212)	(202,606)	-
75,159	63,411	86,853	17,777	231,128	253,671	780,864	602,709	588,773
(400,000)	250,000	-	815,812	(100,000)	1,500,000	(500,000)	2,565,812	2,850,000
-	-	(400,000)	(1,100,000)	(200,000)	2,200,000	(1,100,000)	(400,000)	(2,700,000)
(324,841)	313,411	(313,147)	(266,411)	(841,963)	3,757,393	(1,577,784)	2,586,004	748,725

CITY OF MANKATO, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	Business-type Activities - Enterprise Funds			
	603		612	
	Utility		Airport	
	2007	2006	2007	2006
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 461,356	\$ (455,447)	\$ (417,382)	\$ 406,204
CASH AND CASH EQUIVALENTS, JANUARY 1	447,655	903,102	498,851	92,647
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 909,011</u>	<u>\$ 447,655</u>	<u>\$ 81,469</u>	<u>\$ 498,851</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Unrestricted	\$ 909,011	\$ 447,655	\$ 81,469	\$ 498,851
Restricted	-	-	-	-
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 909,011</u>	<u>\$ 447,655</u>	<u>\$ 81,469</u>	<u>\$ 498,851</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 2,587,783	\$ 2,697,360	\$ (634,300)	\$ (771,483)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Other income (expense) related to operations	177,107	269,682	90,869	77,928
Depreciation	2,566,113	2,585,408	442,389	427,483
(Increase) decrease in assets:				
Accounts receivable	113,398	(149,675)	(11,753)	(4,413)
Sponsorship rights receivable	-	-	-	-
Due from employees	-	-	-	-
Due from other governments	177,199	(100,794)	-	-
Inventories	(42,392)	(36,428)	-	-
Prepaid items	(1,972)	(6,861)	2,729	(4,552)
Increase (decrease) in liabilities:				
Accounts payable	(238,534)	(215,655)	63,885	(386)
Due to other governments	-	-	-	-
Wages payable	12,760	11,499	-	(1,955)
Compensated absences payable	27,207	7,780	-	-
Deposits payable	-	-	-	-
Deferred revenue	-	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 5,378,669</u>	<u>\$ 5,062,316</u>	<u>\$ (46,181)</u>	<u>\$ (277,378)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Capital assets contributed by other funds	\$ 795,630	\$ 866,930	\$ -	\$ -
Book value of disposed capital assets	82,600	14,262	-	-
Amortization of bond discount	4,800	4,560	-	-
Amortization of bond premium	647	619	-	-
Capital assets purchased on account	2,255,108	287,861	-	-
Bond proceeds due from other governments	871,563	-	-	-

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds								Governmental Activities- Internal Service Funds
620								
Riverfront 2000/Civic Center		Mankato EDA		Other Enterprise Funds		Totals		
2007	2006	2007	2006	2007	2006	2007	2006	
\$ (715,390)	\$ 395,536	\$ (95,659)	\$ (120,776)	\$ 417,795	\$ 34,462	\$ (349,280)	\$ 259,979	\$ 21,311
997,674	602,138	385,837	506,613	638,643	604,181	2,968,660	2,708,681	1,264,074
<u>\$ 282,284</u>	<u>\$ 997,674</u>	<u>\$ 290,178</u>	<u>\$ 385,837</u>	<u>\$ 1,056,438</u>	<u>\$ 638,643</u>	<u>\$ 2,619,380</u>	<u>\$ 2,968,660</u>	<u>\$ 1,285,385</u>
\$ 282,284	\$ 997,674	\$ 228,196	\$ 290,006	\$ 1,056,438	\$ 638,643	\$ 2,557,398	\$ 2,872,829	\$ 1,285,385
-	-	61,982	95,831	-	-	61,982	95,831	-
<u>\$ 282,284</u>	<u>\$ 997,674</u>	<u>\$ 290,178</u>	<u>\$ 385,837</u>	<u>\$ 1,056,438</u>	<u>\$ 638,643</u>	<u>\$ 2,619,380</u>	<u>\$ 2,968,660</u>	<u>\$ 1,285,385</u>
\$ (2,087,594)	\$ (1,624,446)	\$ (4,625,153)	\$ (2,505,524)	\$ (1,098,267)	\$ (1,026,172)	\$ (5,857,531)	\$ (3,230,265)	\$ 859,900
10,027	13,378	-	-	202,328	176,278	480,331	537,266	96,503
577,683	512,443	484,597	258,074	422,238	329,776	4,493,020	4,113,184	1,011,031
(117,029)	61,693	(152)	(6,583)	(52,299)	24,972	(67,835)	(74,006)	(10,289)
154,000	154,000	-	-	-	-	154,000	154,000	-
-	-	-	-	-	-	-	-	2,196
-	-	-	-	-	-	177,199	(100,794)	(11,220)
(7,682)	5,165	-	-	-	-	(50,074)	(31,263)	(30,312)
1,175	(6,875)	(18,416)	(2,452)	5,649	(13,170)	(10,835)	(33,910)	(66,301)
(170,848)	60,014	(22,712)	(13,888)	104,371	(44,430)	(263,838)	(214,345)	(258,698)
(10,698)	16,298	27,777	(2,734)	-	-	17,079	13,564	-
436	256	-	-	3,202	1,014	16,398	10,814	9,428
4,585	12,776	-	-	6,104	10,336	37,896	30,892	42,373
-	-	3,019	1,332	-	(2,000)	3,019	(668)	153,072
41,131	(41,650)	(1,650)	(472)	(2,100)	2,100	37,381	(40,022)	216
<u>\$ (1,604,814)</u>	<u>\$ (836,948)</u>	<u>\$ (4,152,690)</u>	<u>\$ (2,272,247)</u>	<u>\$ (408,774)</u>	<u>\$ (541,296)</u>	<u>\$ (833,790)</u>	<u>\$ 1,134,447</u>	<u>\$ 1,797,899</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,733,216	\$ -	\$ 3,528,846	\$ 866,930	\$ -
-	403	15,645	-	3,985	82,697	102,230	97,362	5,880
7,200	6,880	-	-	-	-	12,000	11,440	-
-	-	-	-	-	-	647	619	-
-	-	-	1,242	-	-	2,255,108	289,103	-
-	-	-	-	-	-	871,563	-	-

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FIDUCIARY FUNDS

CITY OF MANKATO
MANKATO, MINNESOTA

YEAR ENDED
DECEMBER 31, 2007

CITY OF MANKATO, MINNESOTA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2007

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 237,585
Cash held by fiscal agent	11,218,436
Investments	600,000
Receivables	
Interest	40,774
Accounts	3,900
Intergovernmental	109,434
Prepaid items	<u>17,239</u>
 TOTAL ASSETS	 <u><u>\$ 12,227,368</u></u>
LIABILITIES	
Accounts payable	\$ 6,903
Due to other governments	11,891,154
Salaries payable	1,737
Compensated absences payable	5,537
Accrued interest payable	287,266
Deposits payable	<u>34,771</u>
 TOTAL LIABILITIES	 <u><u>\$ 12,227,368</u></u>

The notes to the financial statements are an integral part of this statement.

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CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Mankato (the City) operates under its own Home Rule Charter. The City is governed by an elected Mayor and a six-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints the City Manager. The City Manager appoints the personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Blended component units, although legally separate entities, are in substance, part of the City's operations and so data from these units are combined with the data of the primary government.

Blended Component Unit. The Mankato Economic Development Authority (EDA) was created pursuant to Minnesota statutes 469.090 through 469.108 for the purpose of providing housing and redevelopment services to the Mankato area. The governing body of the EDA consists of the Mayor and the six members of the Council. As a result, its operations are blended and reported as an enterprise fund. The EDA previously had a March 31 year end. The EDA now has a December 31 year-end and the activity reported for 2007 is for the 21-month period from April 1, 2006 to December 31, 2007.

The complete financial statements of the EDA may be obtained from the EDA Executive Director at Mankato Economic Development Authority, 10 Civic Center Plaza, Mankato, MN 56001

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue in the fund financial statements.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Improvement Bond Redemption fund* accounts for costs associated with deferred assessments.

The *Improvements 2006 fund* accounts for costs associated with major street projects with construction starting in 2005.

The *Improvements 2007 fund* accounts for costs associated with major street projects with construction starting in 2006.

The City reports the following major proprietary funds:

The *Utility fund* accounts for costs associated with the City's water, wastewater, and solid waste systems and to insure that user charges are sufficient to pay for those costs.

The *Airport fund* accounts for the costs associated with the operation of the Mankato Municipal Airport.

The *Riverfront 2000/Civic Center fund* accounts for the costs associated with the construction and operations of an arena/civic center in the downtown area.

The *Mankato EDA fund* accounts for the activity of providing housing and redevelopment services in the Mankato area.

Additionally, the City reports the following fund types:

Internal service funds account for central garage, central purchasing services, fleet management, housing and insurance services provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity. The City accounts for the following agency activities: Blue Earth County EDA and Minnesota Valley Council of Governments (MVCOG).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's utility function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity or Net Assets

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Certain restricted assets are included in cash and cash equivalents.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings on investments are allocated to the individual funds based upon the average of month-end cash and investment balances.

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities in (1) above.
3. General obligations of the State of Minnesota or any of its municipalities.
4. Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
5. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality, and maturing in 270 days or less.
6. Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
7. Guaranteed investment contracts (GIC's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories, or in the top three rating categories for long-term GIC's issued by Minnesota banks.

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investment Policy. Funds of the City will be invested in accordance with Minnesota statutes 118 A. The objectives (and priorities) of the investment policy shall be safety, liquidity, yield, and marketability (in that order). The investment portfolio shall be managed in a manner consistent with these objectives and priorities.

For diversification purposes, the assigned percentage reflects the maximum percentage allowed (for each category) within the total investment portfolio. There is no mandated requirement for assets to be invested in any of the categories as listed below:

* Demand Deposits (FDIC or NCUSIF backed) . . . checking accounts	75%
* Time Deposits (FDIC or NCUSIF backed)	100%
* Municipal Depository Funds (Local Government Investment Pool)	50%
* Super NOW Accounts (FDIC or NCUSIF backed)	50%
* Certificates of Deposit (FDIC or NCUSIF backed)	50%
* Sweep Accounts	50%
* Commercial Paper (Rating of A1,P1, or F1)	50%
* Repurchase Agreements (30 day maturity & FDIC backed)	50%
* Federal Government Direct Obligations	100%
* Federal Financing Bank Obligations	100%
* Government Sponsored Securities	100%

The Director of Finance will select a preferred maturity period when evaluating a potential investment. This date will consider either potential cash flow requirements or conformance to a maturity guideline. When selecting certificates of deposit, the Director of Finance will inform the financial institution if pledged collateral will be required prior to obtaining an interest rate quotation. If no specific maturity or cash flow need is required, then the market trend or yield curve may be used to determine an advantageous maturity.

The Director of Finance will attempt to maintain a minimum of thirty days cash flow requirement in the master checking account or a government approved money market fund. Available funds exceeding the thirty day cash flow requirement will be defined as “available excess funds” subject to the following desired maturity schedule. The following guidelines may be deviated from if so directed by the City Manager. The available excess funds shall be scheduled to coincide with projected cash flow needs.

Maturities in this category shall be timed to comply with the following minimum guidelines:

Under 1 year	10 % minimum
Under 2 years	30 % minimum
Under 3 years	50 % minimum
Under 4 years	60 % minimum
Under 5 years	70 % minimum
Under 10 years	80 % minimum
Under 15 years	90 % minimum
Under 20 years	100 % minimum

If at the year of any fiscal year, the above minimum percentages are exceeded, then the Director of Finance shall execute all new investment transactions in shorter term instruments until the minimum standards are met.

Investments for the City, as well as for its component units, are reported at fair value. The broker cash funds operate in accordance with appropriate state laws and regulations. The reported value of these funds is the same as the fair value of the shares.

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2007. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance for doubtful accounts as of December 31, 2007 was \$168,346.

Property Taxes

The Council annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments in May and October. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

Taxes payable on homestead property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credit is paid to the City by the State of Minnesota (the State) in lieu of taxes levied against the homestead property. The State remits this credit in two equal installments in October and December each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred revenue liability for delinquent taxes not received within 60 days after year-end in the fund financial statements.

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year-end. All governmental special assessments receivable are offset by deferred revenue in the fund financial statements.

Inventories and Prepaid Items

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors (such as service and maintenance agreements) reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Restricted assets consist of customers' deposits and monies escrowed for the payment of bond principal and interest. These assets are offset by related liabilities.

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$3,000 (amount not rounded) and an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all items previously accounted for. The City had already accounted for its prior infrastructure at historical cost for the initial reporting of these assets. As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the City are depreciated using the straight-line method over the following useful lives:

Assets	Years
Buildings and structures	12 - 50
System infrastructure and improvements	10 - 50
Machinery, equipment and vehicles	5 - 40

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is recorded for unpaid accumulated sick leave. However, a liability is recognized for that portion of accumulated sick leave that is estimated will be taken as "terminal leave" prior to retirement. All vacation and sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets are displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net assets - Consist of net assets restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General and Shared Records System and Technology Plus Operations special revenue funds. All annual appropriations lapse at fiscal year end. The City does not use encumbrance accounting.

In June of each even numbered year, all departments of the City submit requests for appropriations to the City Manager and of Finance, so that a bi-annual budget may be prepared. Before September 15, a preliminary budget is presented to the City Council for review. The Council holds public work sessions and hearings, and a final budget is adopted in early December.

The appropriated budget is prepared by fund, function and department. The City Manager may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted, or as amended by the Council. No budget amendments were made during the year.

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2007, expenditures exceeded appropriations in the following governmental funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	\$ 19,582,156	\$ 20,568,732	\$ 986,576
Special revenue			
Technology Plus Operations	606,651	680,679	74,028

The expenditures in excess of budget in the General fund were funded by actual revenues in excess of budget and available fund balance. The expenditures in excess of budget in the Technology Plus Operations fund added to the existing deficit.

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2007:

Fund	Amount
Special revenue	
Technology Plus Operations	\$ 560,726
Shared Records System	28,313
Capital Projects	
Improvements 2000	1,852,332
Improvements 2001	1,061,136
South Riverfront Tax Increment	584,231
Katolight Tax Increment	153,083
Wal-Mart Distribution Center	1,688,586
All Seasons Arena Construction	944,000
Sibley Park Tax Increment Phase I	1,804,138
Sibley Park Tax Increment Phase II	11,422
Downtown Development	916,478
Public Safety Campus	9,560
Improvements 2005	889,117
Improvements 2006	625,998
Improvements 2008	26,504

The special revenue fund deficits will be funded by future grant and lease revenues and charges to other governmental units.

The capital projects fund deficits will be funded by bond proceeds, future tax increments and abatements, contributions, grants and transfers from other funds.

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other State or local government obligations. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the City Finance Officer or in a financial institution other than that furnishing the collateral.

At year-end, the City's carrying amount of deposits was \$11,771,720 including \$837,585 reported in agency funds. The bank balance was \$9,171,152. The bank balance was covered by federal depository insurance of \$4,268,128 and \$4,903,024 was collateralized with securities held by the pledging financial institution's trust department in the City's name. The carrying amount of deposits and bank balances of the Mankato EDA as of December 31, 2007 was \$1,890,128 and \$1,929,370, respectively.

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

As of December 31, 2007, the City had the following investments that are insured or registered, or securities held by the City or its agent in the City's name:

Types of Investments	Fair Value and Carrying Amount	Cost	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)
Pooled investments				
Broker Money Market Accounts	\$ 6,159,872	\$ 6,159,872	N/A	less than 6 months
First American Treasury Obligation Fund	11,218,436	11,218,436	N/A	less than 6 months
Total pooled investments	17,378,308	17,378,308		
Non-pooled investments:				
Federal agency notes	5,436,808	5,445,000	AAA	less than 6 months
Federal agency notes	3,873,139	3,870,000	AAA	6 to 12 months
Federal agency notes	9,956,141	9,920,002	AAA	1 to 3 years
Federal agency notes	12,039,385	11,909,722	AAA	more than 3 years
Total Federal agency notes	31,305,473	31,144,724		
Industrial Park Investment	736,900	736,900	N/A	
City of Mankato bonds	4,850,664	4,850,664	NR	
Commercial Paper	9,464,031	9,500,000	P-1/NR	less than 6 months
Total non-pooled investments	46,357,068	46,232,288		
Total investments	\$ 63,735,376	\$ 63,610,596		

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

N/A indicates not applicable or available.

(2) Interest rate risk is disclosed using the segmented time distribution method.

Cash on Hand

Cash in the possession of the City, consisting of petty cash and change funds totals \$18,892.

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 3: DETAILED NOTES ON ALL FUND - CONTINUED

Cash and Investments Summary

A reconciliation of cash and investments as shown on the Statement of Net Assets and the Statement of Fiduciary Net Assets for the City follows:

	Primary Government	Agency Funds	Totals
Deposits	\$ 10,934,135	\$ 837,585	\$ 11,771,720
Investments	52,516,940	11,218,436	63,735,376
Cash on hand	18,892	-	18,892
Total	<u>\$ 63,469,967</u>	<u>\$ 12,056,021</u>	<u>\$ 75,525,988</u>
 Cash and cash equivalents	 \$ 5,552,503	 \$ 237,585	 \$ 5,790,088
Cash held by fiscal agent	-	11,218,436	11,218,436
Investments	57,855,482	600,000	58,455,482
Restricted assets	61,982	-	61,982
Total	<u>\$ 63,469,967</u>	<u>\$ 12,056,021</u>	<u>\$ 75,525,988</u>

B. Notes Receivable

Economic Development

The City has received Federal and State grants to be used for economic development. The proceeds of these grants were loaned to businesses and are to be paid back to the City with interest rates ranging from 4 percent to 10 percent over 6 to 20 years. The balance of these notes in the special revenue funds at December 31, 2007 is \$1,013,124.

The City has loaned funds to various private businesses for development purposes. These notes are to be paid back to the City with interest rates ranging from 4 percent to 10 percent over 6 to 20 years. The balance of these notes in the special revenue funds at December 31, 2007 is \$356,529.

Small Cities Development Loans

The City has loaned funds to citizens in conjunction with the Mankato Housing Rehabilitation Project. These notes are to be paid back to the City with an interest rate of 3 percent over 10 years. The balance of these notes in the capital projects funds at December 31, 2007 is \$66,618.

Minnesota Housing Finance Agency

The City has received state grants to be loaned to citizens in conjunction with the Mankato Home Ownership Program. The notes are to be paid back in full in the event of sale or transfer of property; otherwise, 10 years after the initial note was executed at equal installments for 20 years at 0 percent interest. The balance of these notes in the special revenue funds at December 31, 2007 is \$430,860.

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 3: DETAILED NOTES ON ALL FUND - CONTINUED

Other

The City has loaned funds to various private businesses that have privatized specific City services for start-up funds and to fund the purchase of property. These notes are to be paid back to the City with interest rates ranging from 4.00 percent to 8.00 percent over 10 to 20 years. The balance of these notes in the special revenue and enterprise funds at December 31, 2007 is \$80,437 and \$147,666, respectively.

The City has loaned funds to individuals in conjunction with the Store Front Improvement and the City Center Renaissance Programs. These notes are to be paid back to the City with interest rates ranging from 0 percent to 3 percent over 10 to 15 years. The balance of these notes in the enterprise funds at December 31, 2007 are \$171,090 and \$660,306, respectively.

The City has also loaned funds to citizens in conjunction with the Mankato Home Ownership Program. The notes are to be paid back in full in the event of sale or transfer of property; otherwise, 10 years after the initial note was executed at equal installments for 20 years at 0 percent interest. The balance of these notes in the enterprise funds at December 31, 2007 is \$129,501.

C. Sponsorship Rights Receivable

The City has entered into agreements with two sponsors for the pouring and naming rights in conjunction with the Civic Center. Coca-Cola has committed annual payments of \$75,000 for December 2000 and \$44,000 annually through December 2009 for the exclusive rights to sell or distribute beverages at the facility. Also, Alltel Communications has committed payments of \$110,000 annually through April 2020 for the exclusive naming rights of the facility. The balance of these receivables in the enterprise funds at December 31, 2007 is \$1,408,000.

D. Intergovernmental Receivables/Deferred Revenue

A summary of all intergovernmental receivables as of December 31, 2007 is as follows:

Fund	Local	County	State	Federal	Total
Governmental Activities					
General	\$ 138,000	\$ 64,872	\$ 53,930	\$ 1,620	\$ 258,422
Debt Service	-	79,680	-	-	79,680
Nonmajor governmental	72,335	93,698	299,544	-	465,577
Equipment Revolving					
internal service fund	-	-	60,730	224,488	285,218
Central Housing					
internal service fund	-	35,015	-	-	35,015
Total	\$ 210,335	\$ 273,265	\$ 414,204	\$ 226,108	\$ 1,123,912
Business-type Activities					
Utility	\$ 109,316	\$ 871,563	\$ -	\$ -	\$ 980,879
Airport	-	-	83,230	829,703	912,933
Riverfront 2000/					
Civic Center	-	-	528,121	-	528,121
Mankato EDA	-	-	-	46,244	46,244
Nonmajor enterprise	116,499	-	13,341	28,792	158,632
Total	\$ 225,815	\$ 871,563	\$ 624,692	\$ 904,739	\$ 2,626,809

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 3: DETAILED NOTES ON ALL FUND - CONTINUED

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent taxes receivable		
General fund	\$ 248,046	\$ -
Debt Service fund	97,553	-
Nonmajor governmental funds	94,182	-
Special assessments receivable		
Debt Service fund	20,166,200	-
Improvement Bond Redemption fund	8,118,447	-
Nonmajor governmental funds	544,411	-
Loans receivable		
Nonmajor governmental funds	1,718,767	-
Unearned revenue		
Medical Insurance internal service fund	-	1,270
	<u>-</u>	<u>1,270</u>
Total	<u>\$ 30,987,606</u>	<u>\$ 1,270</u>

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 3: DETAILED NOTES ON ALL FUND - CONTINUED

E. Capital Assets

Capital asset activity for the year ended December 31, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 2,638,362	\$ 27,328	\$ -	\$ 2,665,690
Construction in progress	29,886,671	16,436,267	(16,419,048)	29,903,890
 Total capital assets not being depreciated	 32,525,033	 16,463,595	 (16,419,048)	 32,569,580
 Capital assets being depreciated				
Land improvements	6,009,509	213,308	(4,468,289)	1,754,528
Buildings and structures	19,846,875	15,707	(8,379)	19,854,203
Machinery and vehicles	16,160,747	1,514,794	(290,569)	17,384,972
Office equipment	1,219,636	87,931	(218,823)	1,088,744
Infrastructure	159,983,370	10,503,320	(16,267,988)	154,218,702
Storm sewer systems	6,522,351	1,153,174	(2,037,763)	5,637,762
 Total capital assets being depreciated	 209,742,488	 13,488,234	 (23,291,811)	 199,938,911
 Less accumulated depreciation for				
Land improvements	(5,540,492)	(30,885)	4,468,290	(1,103,087)
Buildings and structures	(7,332,456)	(614,884)	8,378	(7,938,962)
Machinery and vehicles	(10,951,163)	(1,033,743)	290,137	(11,694,769)
Office equipment	(963,357)	(120,932)	212,943	(871,346)
Infrastructure	(93,890,598)	(6,173,221)	16,267,988	(83,795,831)
Storm sewer systems	(4,636,972)	(114,077)	2,037,763	(2,713,286)
 Total accumulated depreciation	 (123,315,038)	 (8,087,742)	 23,285,499	 (108,117,281)
 Total capital assets being depreciated, net	 86,427,450	 5,400,492	 (6,312)	 91,821,630
 Governmental activities capital assets, net	 <u>\$ 118,952,483</u>	 <u>\$ 21,864,087</u>	 <u>\$ (16,425,360)</u>	 <u>\$ 124,391,210</u>

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 3: DETAILED NOTES ON ALL FUND - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 3,894,251	\$ 599,881	\$ (15,645)	\$ 4,478,487
Construction in progress	10,723,021	15,701,796	(295,819)	26,128,998
Total capital assets not being depreciated	14,617,272	16,301,677	(311,464)	30,607,485
Capital assets being depreciated				
Land improvements	547,257	-	-	547,257
Buildings and structures	106,640,086	10,977,918	(41,905)	117,576,099
Machinery and vehicles	10,933,176	543,982	(251,556)	11,225,602
Office equipment	781,999	-	(7,950)	774,049
Infrastructure and other improvements	36,355,438	1,087,266	-	37,442,704
Total capital assets being depreciated	155,257,956	12,609,166	(301,411)	167,565,711
Less accumulated depreciation for				
Land improvements	(20,545)	(13,160)	-	(33,705)
Buildings and structures	(34,716,884)	(2,986,594)	37,920	(37,665,558)
Machinery and vehicles	(6,226,520)	(596,928)	168,956	(6,654,492)
Office equipment	(767,293)	(9,118)	7,950	(768,461)
Infrastructure and other improvements	(12,353,565)	(887,220)	-	(13,240,785)
Total accumulated depreciation	(54,084,807)	(4,493,020)	214,826	(58,363,001)
Total capital assets being depreciated, net	101,173,149	8,116,146	(86,585)	109,202,710
Business-type activities capital assets, net	<u>\$ 115,790,421</u>	<u>\$ 24,417,823</u>	<u>\$ (398,049)</u>	<u>\$ 139,810,195</u>

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 3: DETAILED NOTES ON ALL FUND - CONTINUED

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	\$ 473,312
Public safety	108,217
Streets and highways, including depreciation of general infrastructure assets	6,336,120
Culture and recreation	159,062
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>1,011,031</u>
Total depreciation expense - governmental activities	<u><u>\$ 8,087,742</u></u>
Business-type activities:	
Housing and economic development	\$ 640,198
Water	915,981
Wastewater	1,646,582
Refuse	3,550
Storm water	18,145
Mass transit	37,379
Airport	442,389
Parking	211,113
Civic center arena	<u>577,683</u>
Total depreciation expense - business-type activities	<u><u>\$ 4,493,020</u></u>

Construction Commitments

The City has active construction projects as of December 31, 2007. The projects include street construction in areas with widening and construction of existing streets and bridges, downtown development, arena remodeling, water treatment and sanitary improvements. At year end the City's commitments with contractors are as follows:

Projects	Spent to date	Remaining Commitment
Sibley Park Tax Increment Phase 1	\$ 1,365,033	\$ 327,586
Municipal State Aid Project	176,804	103,982
Downtown Development	588,566	497,707
Water Treatment	10,798,596	10,018,878
2006 Improvements	2,670,004	115,563
2007 Improvements	<u>4,516,224</u>	<u>828,187</u>
Total	<u><u>\$ 20,115,227</u></u>	<u><u>\$ 11,891,903</u></u>

The special assessment portion of the commitment for street construction is being financed by special assessment bonds that will be repaid by the benefiting property owners.

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

F. Interfund Receivables, Payables, and Transfers

The composition of interfund balances at December 31, 2007 is as follows:

Fund	Due from Other Funds	Due to Other Funds
General	\$ 467,000	\$ -
Debt Service	8,500,000	-
2006 Improvements	-	265,000
Nonmajor governmental	-	10,345,000
Utility	-	1,725,000
Airport	-	1,450,000
Riverfront 2000/Civic Center	-	682,000
Internal service		
Equipment Replacement	5,500,000	-
Total	<u>\$ 14,467,000</u>	<u>\$ 14,467,000</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All of the interfund balances represent temporary funding for cash deficits.

Advances from/to other funds at December 31, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor governmental funds	Airport	\$ 206,373
Equipment Replacement internal service	Nonmajor governmental funds	1,070,331
Totals		<u>\$ 1,276,704</u>

During 1995, the Equipment Replacement internal service fund loaned \$3,000,000 to the Revolving Loan - City special revenue fund. The loan is to be paid back with annual payments of \$308,888 through December 31, 2011 with interest at 6 percent. In 2003, the Revolving Loan - City special revenue fund loaned the Airport fund \$47,360 and \$350,000 for the airport fencing and the construction of a 14-unit T-hanger, respectively. The \$47,360 loan is to be paid back with annual payments of \$11,243 through December 31, 2007 with interest at 6 percent. The \$350,000 loan is to be paid back with annual payments of \$48,992 through December 31, 2012 at 6 percent. A summary of future interfund loan repayments follows:

Year Ending December 31,	Principal	Interest	Total
2008	\$ 281,278	\$ 76,602	\$ 357,880
2009	298,155	59,726	357,881
2010	316,045	41,837	357,882
2011	335,007	22,873	357,880
2012	46,219	2,773	48,992
Total	<u>\$ 1,276,704</u>	<u>\$ 203,811</u>	<u>\$ 1,480,515</u>

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Interfund transfers for the year ended December 31, 2007 is as follows:

Transfer out:	Transfer in:				
	General Fund	Debt Service Fund	2007 Improvements	Nonmajor Governmental Funds	Airport Enterprise Fund
General fund	\$ -	\$ -	\$ -	\$ 833,551	\$ -
Debt Service fund	-	-	-	1,078,482	-
Nonmajor governmental funds	533,374	514,844	83,536	500,777	-
Utility enterprise fund	110,187	1,233,156	-	-	-
Riverfront 2000/Civic Center	-	-	-	-	500,000
Nonmajor enterprise funds	-	-	326,976	852,187	-
Central services internal service fund	400,000	-	-	430,000	-
Total transfers out	<u>\$ 1,043,561</u>	<u>\$ 1,748,000</u>	<u>\$ 410,512</u>	<u>\$ 3,694,997</u>	<u>\$ 500,000</u>

Transfer out:	Transfer in:			
	Riverfront 2000/ Civic Center Fund	Nonmajor Enterprise Funds	Central Housing Internal Service Fund	Total
General fund	\$ -	\$ 12,500	\$ -	\$ 846,051
Debt Service fund	-	608,970	-	1,687,452
Nonmajor governmental funds	-	141,209	-	1,773,740
Utility enterprise fund	-	-	-	1,343,343
Riverfront 2000/Civic Center fund	-	1,000,000	-	1,500,000
Nonmajor enterprise funds	50,000	-	-	1,229,163
Central services internal service fund	-	-	34,851	864,851
Total transfers out	<u>\$ 50,000</u>	<u>\$ 1,762,679</u>	<u>\$ 34,851</u>	<u>\$ 9,244,600</u>

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Annual recurring transfers are for the following purposes:

- Police capital outlay (\$38,500) from the Police PERA Residual Assets fund to the General fund.
- Assessable portion of minor street revolving resurfacing (\$373,870) from the Minor Street Repair fund to the General fund.
- Part-time police and reserve unit (\$74,671) from the Public Safety Grants and Donations fund to the General fund. Public Safety Grant activities were closed in 2007 for GREAT, OJP, and Drug Court as well as Police and Fire Separation Programs.
- Annual transfer of \$633,551 from the General fund to the Shared Records System fund for joint service costs.
- Water and sewer utility share of debt service (\$1,233,156).
- Debt service on 1993B bonded debt service (\$63,055) and 1993C bonded debt service (\$451,789).
- Continual elimination of fund deficit (\$225,000) from the Central Services internal service fund to the Public Buildings fund. Final transfer in 2007.
- From sales tax collections to fund parking operations (\$100,000), Civic Center events and marketing (\$250,000), Riverfront 2000 major improvements (\$650,000) and Airport Fund for capital outlay (\$500,000).
- Operating subsidy from the General fund to the Mass Transit fund (\$12,500) for Late Night Express Bus funding.
- Annual transfer of \$23,821 from the Technology Plus Operations fund to the Economic Development fund for MJ Biologics build out at Technology Plus per the amortization schedule.
- Debt service on MN DOT Site amortization of infrastructure costs (\$132,600).
- Debt service on All Seasons Arena Construction (\$42,728) for amortization.
- Assessment collection reimbursement (\$142,888) from Debt Service to Construction Revolving Fund.
- Annual transfer from Debt Service to Economic Development per the Briggs and Morgan Resolution for 2003 (\$261,858) and 2005 (\$347,112).
- Fall Leaf Pick-up costs (\$99,349) and Spring Clean-up costs (\$10,838) from Utility Fund to General Fund.
- Storm Water Utility portion of Debt Service (\$326,976) to 2007 Improvements Fund.
- Annual transfer of \$50,000 from the Parking fund to the Civic Center fund for Parking Management Fees.

For the year ended December 31, 2007, the government made the following one-time transfers:

- \$100,000 from Revolving Loan fund to Economic Development for downtown improvements.
- \$9,123 from the MHFA Pohl Creek fund to the MHFA Community Revolving Loan fund to close out the Pohl Creek MHFA fund.
- \$200,000 from the General fund to the 2005 Improvements Fund for Street Division costs per the financing plan.
- \$200,000 transfer from the Parks and Recreation Grants and Donations fund - \$46,333 to the General fund and \$153,667 to the Sibley Park Farm/Zoo Project Fund - for the Sibley Park Farm Project.
- \$8,319 from the MHFA Home Ownership Program fund to the MHFA Community Revolving Loan fund to close out the MHFA Home Ownership Fund.
- \$237 from the MHFA Community Fix-up fund to the MHFA Community Revolving Loan fund to close out the MHFA Community Fix-up fund.
- \$352 from the MHFA Rehab Loan Program fund to the MHFA Community Revolving Loan fund to close out the MHFA Rehab Loan Program fund.
- \$17,388 from the MHFA Rehab Loan Program fund to the Economic Development fund to close out Lead Hazard Control Grant Activity.
- \$146,732 from Debt Service to 2003 Improvements fund for Timberwolf Subdivision and Heron Development project costs.
- \$148,173 from Debt Service to 2004 Improvements fund for private petition work and Country Club Estates number fourteen project cost.
- \$83,536 from Municipal State Aid Project fund to the 2007 Improvements fund per the 2007A Bond Issue financing plan.
- \$50,000 from Municipal State Aid Project fund to the 2005 improvements fund for resurfacing projects.
- \$263,947 from Construction Revolving fund to close the 2002 Improvements fund (\$142,586) and the 2004 Improvements fund (\$121,361).
- \$15,132 from Construction Revolving fund to 2003 Improvements fund for Jacob Estates project cost.

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

For the year ended December 31, 2007, the government made the following one-time transfers - Continued:

- \$150,000 from the Storm Water fund to the 2004 Improvements fund for subsurface drain funding.
- \$670,960 from the Riverfront 2000 Major Improvements fund to the Downtown Development fund per the Downtown Development Fund Financing Grid.
- \$400,000 from Central Services Internal Service fund to the General fund to offset Snow Removal, Streets, and Public Safety costs.
- \$34,851 from Central Services Internal Service Fund to Central Housing Internal Service fund for reimbursement of administrative charges.
- \$465,361 from Debt Service to the 2005 Improvements fund for funds that will be assessed separately through Debt Service.
- \$31,227 from the Economic Development fund to close out the Lincoln Park II fund. The fund expenses exceeded the amount of state funding and therefore the Economic Development fund needed to fund the balance in order to close out the project.
- \$205,000 from the Central Services Internal Service fund to the Public Buildings fund. The Public Building fund was closed in 2007.

G. Long-term Debt

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

General Obligation Bonds

The following bonds are direct obligations and pledge the full faith and credit of the City. These bond issues will be repaid primarily from ad valorem taxes.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Capital Improvement Bonds of 1997B	\$ 525,000	4.00 - 5.00 %	09/01/97	02/01/08	\$ 65,000
G.O. Capital Improvement Bonds of 1998B	500,000	3.40 - 4.25	12/01/98	02/01/09	115,000
G.O. Capital Improvement Bonds of 1999B	475,000	4.20 - 5.25	01/01/99	02/01/10	170,000
Minnesota Armory Bonds of 2002	765,000	4.00 - 5.50	01/01/02	02/01/21	650,000
G.O. Capital Improvement Bonds of 2004B	530,000	2.25 - 3.75	12/01/04	02/01/15	440,000
G.O. Capital Improvement Bonds of 2005B	625,000	3.20 - 4.10	12/28/05	02/01/16	595,000
G.O. Capital Improvement Bonds of 2006B	665,000	4.00	12/21/06	02/01/17	665,000
G.O. Capital Improvement Bonds of 2007B	735,000	4.00	11/28/07	02/01/18	735,000
Total General Obligation Bonds					<u>\$ 3,435,000</u>

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

General Obligation Tax Increment Bonds

The following bonds were issued for redevelopment projects. The additional tax increments resulting from increased tax capacity of the redeveloped properties will be used to retire the related debt.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Tax Increment Refunding Bonds of 1993B	\$ 680,000	3.10 - 5.50 %	06/01/93	02/01/09	\$ 120,000
G.O. Tax Increment Bonds of 1993C	7,500,000	5.02 - 7.00	12/01/93	02/01/09	4,850,664
G.O. Tax Increment Refunding Bonds of 1998C	695,000	5.45 - 6.20	12/01/98	02/01/09	175,000
G.O. Tax Increment Bonds of 2006C	1,215,000	5.15 - 5.20	12/21/06	02/01/17	<u>1,215,000</u>
Total G.O. Tax Increment Bonds					<u><u>\$ 6,360,664</u></u>

General Obligation Improvement Bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 1997A	\$ 5,695,000	4.50 - 4.85 %	09/01/97	02/01/08	\$ 665,000
G.O. Improvement Bonds of 1998A	4,535,000	3.95 - 4.10	12/01/98	02/01/10	1,340,000
G.O. Improvement Bonds of 1999A	10,030,000	4.10 - 5.00	12/01/99	02/01/10	3,240,000
G.O. Improvement Bonds of 2000A	8,155,000	4.75	12/01/00	02/01/12	3,875,000
G.O. Improvement Bonds of 2001A	10,230,000	3.00 - 5.00	12/01/01	02/01/12	4,950,000
G.O. Improvement Bonds of 2002A	11,030,000	2.25 - 4.00	12/01/02	02/01/13	6,630,000
G.O. Improvement Bonds of 2003A	10,405,000	2.00 - 3.62	12/01/03	02/01/14	7,230,000
G.O. Refunding Improvement Bonds of 2003B	1,460,000	2.00 - 3.25	12/01/03	02/01/11	175,000
G.O. Improvement Bonds of 2004A	9,340,000	3.25 - 4.00	12/01/04	02/01/15	7,435,000
G.O. Improvement Bonds of 2005A	11,795,000	4.00	12/28/05	02/01/16	10,570,000
G.O. Improvement Bonds of 2006A	9,945,000	4.00	12/21/06	02/01/16	9,945,000
G.O. Improvement Bonds of 2007A	10,440,000	3.40 - 4.00	11/28/07	02/01/18	<u>10,440,000</u>
Total G.O. Special Assessment Bonds					<u><u>\$ 66,495,000</u></u>

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

General Obligation Revenue Bonds

The following bonds were issued to finance capital improvements to the enterprise funds. They will be retired from net revenue of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Variable Rate Sales Tax Revenue Bonds of 1992E	\$ 10,000,000	Variable	12/01/92	02/01/18	\$ 10,000,000
G.O. Sales Tax Revenue Refunding Bonds of 1998D	4,345,000	3.80 - 4.00 %	12/01/98	02/01/08	940,000
G.O. Utility Revenue Bonds of 1999C	3,720,000	4.10 - 5.00	12/01/99	02/01/10	1,325,000
G.O. Utility Revenue Bonds of 2000B	2,210,000	4.75	12/01/00	02/01/11	1,010,000
Public Facilities Authority I - Wastewater	24,682,000	3.07	05/01/98	08/20/19	16,564,403
Public Facilities Authority II - Wastewater	678,000	3.07	11/09/00	08/20/19	472,000
Public Facilities Authority I - Water	2,309,300	2.31	12/12/06	08/20/25	2,167,300
Public Facilities Authority II - Water	37,724,000	2.63	04/09/07	08/20/26	* <u>20,430,833</u>
Total G.O. Revenue Bonds					<u>\$ 52,909,536</u>

* All but \$17,293,168 has been drawn to date.

Loans Payable

The following loans issued to finance capital improvements to the enterprise funds. They will be retired from net revenue of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Airport T-hangar loan (State)	\$ 244,009	0.00 %	06/01/00	05/01/10	\$ 56,881
Airport T-hangar loan (State)	164,292	0.00	10/01/01	09/01/11	60,240
Airport T-hangar loan (State)	345,792	0.00	10/01/06	09/01/16	305,450
MHFA loan	156,867	0.00	02/01/02	02/01/18	<u>156,867</u>
Total Loans Payable					<u>\$ 579,438</u>

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Annual requirements to maturity for long-term debt are as follows:

Year Ending December 31,	General Obligation Bonds Governmental Activities			G.O. Tax Increment Bonds Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 365,000	\$ 127,030	\$ 492,030	\$ 145,000	\$ 88,763	\$ 233,763
2009	375,000	121,888	496,888	5,105,664	77,391	5,183,055
2010	330,000	107,580	437,580	115,000	54,286	169,286
2011	285,000	95,386	380,386	120,000	48,235	168,235
2012	295,000	84,050	379,050	125,000	41,926	166,926
2013 - 2017	1,455,000	232,852	1,687,852	750,000	101,054	851,054
2018 - 2022	330,000	28,908	358,908	-	-	-
2023 - 2026	-	-	-	-	-	-
Total	<u>\$ 3,435,000</u>	<u>\$ 797,694</u>	<u>\$ 4,232,694</u>	<u>\$ 6,360,664</u>	<u>\$ 411,655</u>	<u>\$ 6,772,319</u>

Year Ending December 31,	G.O. Special Assessment Bonds Governmental Activities		
	Principal	Interest	Total
2008	\$ 9,295,000	\$ 2,320,783	\$ 11,615,783
2009	9,675,000	2,082,040	11,757,040
2010	9,660,000	1,692,856	11,352,856
2011	8,135,000	1,337,014	9,472,014
2012	7,740,000	1,023,614	8,763,614
2013 - 2017	20,935,000	1,881,235	22,816,235
2018 - 2022	1,055,000	21,100	1,076,100
2023 - 2026	-	-	-
Total	<u>\$ 66,495,000</u>	<u>\$ 10,358,642</u>	<u>\$ 76,853,642</u>

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities			Loans Payable Business-type Activities		
	Principal*	Interest	Total	Principal	Interest	Total
2008	\$ 4,442,972	\$ 1,661,680	\$ 6,104,652	\$ 75,416	\$ -	\$ 75,416
2009	4,483,888	1,841,289	6,325,177	75,416	-	75,416
2010	4,635,914	1,698,386	6,334,300	59,073	-	59,073
2011	4,290,086	1,562,442	5,852,528	45,532	-	45,532
2012	4,137,439	1,441,160	5,578,599	34,579	-	34,579
2013 - 2017	22,522,437	5,363,302	27,885,739	132,555	-	132,555
2018 - 2022	15,707,668	2,366,809	18,074,477	156,867	-	156,867
2023 - 2026	9,982,300	656,301	10,638,601	-	-	-
Total	<u>\$ 70,202,704</u>	<u>\$ 16,591,369</u>	<u>\$ 86,794,073</u>	<u>\$ 579,438</u>	<u>\$ -</u>	<u>\$ 579,438</u>

* Totals include undrawn G.O. Revenue Bonds proceeds of \$17,293,168.

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Year Ending December 31,	Total Governmental Activities			Total Business-type Activities		
	Principal*	Interest	Total	Principal	Interest	Total
2008	\$ 9,805,000	\$ 2,536,576	\$ 12,341,576	\$ 4,518,388	\$ 1,661,680	\$ 6,180,068
2009	15,155,664	2,281,319	17,436,983	4,559,304	1,841,289	6,400,593
2010	10,105,000	1,854,722	11,959,722	4,694,987	1,698,386	6,393,373
2011	8,540,000	1,480,635	10,020,635	4,335,618	1,562,442	5,898,060
2012	8,160,000	1,149,590	9,309,590	4,172,018	1,441,160	5,613,178
2013 - 2017	23,140,000	2,215,141	25,355,141	22,654,992	5,363,302	28,018,294
2018 - 2022	1,385,000	50,008	1,435,008	15,864,535	2,366,809	18,231,344
2023 - 2026	-	-	-	9,982,300	656,301	10,638,601
Total	<u>\$ 76,290,664</u>	<u>\$ 11,567,991</u>	<u>\$ 87,858,655</u>	<u>\$ 70,782,142</u>	<u>\$ 16,591,369</u>	<u>\$ 87,373,511</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 3,030,000	\$ 735,000	\$ (330,000)	\$ 3,435,000	\$ 365,000
General obligation tax increment bonds	6,500,664	-	(140,000)	6,360,664	145,000
General obligation special assessment bonds	64,785,000	10,440,000	(8,730,000)	66,495,000	9,295,000
Less deferred amounts:					
For issuance discounts and costs	(168,255)	(38,062)	12,339	(193,978)	-
For premiums issued	423,764	41,760	(35,250)	430,274	-
Total bonds payable	74,571,173	11,178,698	(9,222,911)	76,526,960	9,805,000
Compensated absences payable	1,551,887	998,578	(874,921)	1,675,544	874,920
Governmental activity long-term liabilities	<u>\$ 76,123,060</u>	<u>\$ 12,177,276</u>	<u>\$ (10,097,832)</u>	<u>\$ 78,202,504</u>	<u>\$ 10,679,920</u>

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable					
General obligation bond revenue bonds	\$ 35,257,838	\$ 20,436,703	\$ (2,785,005)	\$ 52,909,536	\$ 4,442,972
Less deferred amounts:					
For issuance discounts and costs	(35,420)	-	12,000	(23,420)	-
For premiums issued	3,554	-	(647)	2,907	-
Total bonds payable	35,225,972	20,436,703	(2,773,652)	52,889,023	4,442,972
Notes payable	702,855	-	(123,417)	579,438	75,416
Compensated absences payable	406,383	265,207	(227,311)	444,279	221,482
Business-type activity long-term liabilities	<u>\$ 36,335,210</u>	<u>\$ 20,701,910</u>	<u>\$ (3,124,380)</u>	<u>\$ 53,912,740</u>	<u>\$ 4,739,870</u>

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

H. Fund Equity Reserves and Designations

Reserves and designations of net assets/fund balances are as follows:

Fund	Purpose	Amount
Net assets - Restricted		
Enterprise		
Riverfront 2000/Civic Center	Debt service	\$ 1,500,000
Fund balance - Reserved		
General	Prepaid items	\$ 23,603
Debt Service	Debt service	14,135,623
Special revenue	Advances to other funds	206,373
	Prepaid items	966
	Police expenditures	1,379,101
	Other purposes	3,344
		<u>\$ 15,749,010</u>
Fund balance - Unreserved - Designated		
General	Tax adjustment	\$ 500,000
	Emergencies	2,075,000
	Cash flow	6,000,000
Special revenue	Revolving loans	3,027,012
	Neighborhood improvement	289,702
	Community signage	110,352
	MAGMAPS program	26,763
	Parks grants and donations	398,494
	Public safety grants and donations	1,473,357
	Home steps/stretch/ownership programs	68,941
	Insurance	826,433
Capital projects	Capital projects	4,208,805
		<u>\$ 19,004,859</u>

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Public Employees Retirement Association

1. Plan Description

All full-time and certain part-time employees of the City are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356.

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 4: DEFINED BENEFIT PENSION PLANS – STATEWIDE - CONTINUED

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service, in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the Internet at mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

2. Funding Policy

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 5.75 percent, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan will increase in 2008 to 6.0 percent. PEPFF members were required to contribute 7.8 percent of their annual covered salary in 2007. That rate will increase to 8.6 percent in 2008. The City is required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan PERF members, 6.25 percent of Coordinated Plan PERF members and 11.7 percent for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.5 percent and 12.9 percent, respectively, effective January 1, 2008. The City's contributions to the PERF for the years ending December 31, 2007, 2006 and 2005 were \$583,444, \$522,065 and \$451,455, respectively. The City's contributions to the PEPFF for the years ending December 31, 2007, 2006 and 2005 were \$483,653, \$413,253, and \$347,387, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 4: DEFINED BENEFIT PENSION PLANS – STATEWIDE - CONTINUED

B. Defined Contribution Plan - Statewide

The City provides pension benefits for its elected local government officials through a defined contribution plan administered by PERA. The Public Employee Defined Contribution Plan (PEDCP) is a multiple-employer deferred compensation plan. PEDCP is a tax-qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal. The plan is established and administered in accordance with Minnesota statutes, chapter 353D. Minnesota statutes require that both the elected local government officials and the City contribute an amount equal to 5 percent of the elected local government official's salary. There is no vesting period required to receive benefits in the PEDCP.

The City's contributions to the PEDCP for the years ended December 31, 2007, 2006 and 2005 were \$2,239, \$2,107, and \$2,504, respectively. The City's contributions were equal to the contractually required contributions or each year as set by Minnesota statutes.

Note 5: OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

During fiscal year 1991, the City established a self-insurance fund for health benefits to account for and finance its uninsured risks of loss. Under this program, the plan, which is administered by Blue Cross/Blue Shield, Inc., provides coverage for up to a maximum of \$30,000 for each individual claim. Annual claims in excess of \$30,000 per individual and \$2,688,186 in the aggregate are covered through reinsurance with Blue Cross/Blue Shield, Inc.

All funds of the City participate in the program and make payments to the Central Insurance internal service fund based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish a reserve for future claims. The Fund has net assets of \$269,567 at December 31, 2007. An estimated claims liability of \$96,796 reported in the fund at December 31, 2007 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The City believes the liability is adequate to cover incurred but not remitted claims at year-end. The changes in the Central Insurance internal service fund's claims liability for the past three years are as follows:

Year	January 1 Claims Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	December 31 Claims Liability
2007	\$ 354,434	\$ 3,487,343	\$ (3,744,981)	\$ 96,796
2006	124,766	3,137,988	(2,908,320)	354,434
2005	320,425	2,692,335	(2,887,994)	124,766

CITY OF MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note 5: OTHER INFORMATION - CONTINUED

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

C. Commitments

The City has incurred a monetary liability as a result of the consolidation of the Mankato Fire Relief Association into the Public Employees Police and Fire Fund (PERA Police & Fire Fund). The Legislative Commission on Pensions and Retirement retained an actuarial firm to perform a study of all relief associations requesting consolidation with the PERA - Police & Fire Fund. Based upon the actuarial study, the City will be required to contribute an additional amount of \$134,439 per year through fiscal year 2009.

Note 6: POST EMPLOYMENT BENEFITS

The City's employment agreement allows for certain employees, who have chosen the Early Retiree Initiative, to have the City to pay the premium costs for health insurance coverage. The City will contribute up to 84 months from separation for health insurance. The City will contribute 100 percent of single coverage and 90 percent of family traditional plan premiums. This benefit is drawn down as premiums are paid. This benefit ceases upon the death of the employees. The premiums are funded on a pay-as-you-go basis. Total payments for the year ended December 31, 2007 were \$25,631. The health insurance maximum benefit is \$222,295. Maximum benefit is based upon current premiums. The program has been limited to nine individuals.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF MANKATO
MANKATO, MINNESOTA

YEAR ENDED
DECEMBER 31, 2007

CITY OF MANKATO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007

CITY OF MANKATO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	Nonmajor Special Revenue	Nonmajor Capital Projects	Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 612,303	\$ 711,618	\$ 1,323,921
Investments	8,800,000	3,500,000	12,300,000
Receivables			
Delinquent taxes	211	93,971	94,182
Accounts	80,031	50,000	130,031
Loans	1,947,568	-	1,947,568
Special assessments	-	544,411	544,411
Intergovernmental	258,310	207,267	465,577
Advances to other funds	206,373	-	206,373
Prepaid items	966	-	966
	<u>\$ 11,905,762</u>	<u>\$ 5,107,267</u>	<u>\$ 17,013,029</u>
TOTAL ASSETS			
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 154,057	\$ 605,667	\$ 759,724
Due to other funds	750,000	9,595,000	10,345,000
Advances from other funds	1,070,331	-	1,070,331
Wages payable	17,950	-	17,950
Deposits payable	940,555	-	940,555
Deferred revenue	1,718,978	638,382	2,357,360
	<u>4,651,871</u>	<u>10,839,049</u>	<u>15,490,920</u>
TOTAL LIABILITIES			
FUND BALANCES (DEFICITS)			
Reserved for:			
Advances to other funds	206,373	-	206,373
Prepaid items	966	-	966
Police expenditures	1,379,101	-	1,379,101
Other purposes	3,344	-	3,344
Unreserved, designated for reported in:			
Special revenue funds	6,221,054	-	6,221,054
Capital projects funds	-	4,208,805	4,208,805
Unreserved, undesignated reported in:			
Special revenue funds	(556,947)	-	(556,947)
Capital projects funds	-	(9,940,587)	(9,940,587)
	<u>7,253,891</u>	<u>(5,731,782)</u>	<u>1,522,109</u>
TOTAL FUND BALANCES (DEFICITS)			
	<u>\$ 11,905,762</u>	<u>\$ 5,107,267</u>	<u>\$ 17,013,029</u>
TOTAL LIABILITIES AND FUND BALANCES			

CITY OF MANKATO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES (DEFICITS)
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2007

	Nonmajor Special Revenue	Nonmajor Capital Projects	Nonmajor Governmental Funds
REVENUES			
Taxes			
Tax increments	\$ 41,596	\$ 957,025	\$ 998,621
Tax abatement	-	398,157	398,157
Special assessments	-	279,808	279,808
Intergovernmental			
Federal			
Other	173,569	-	173,569
State			
MSA - street construction	-	241,322	241,322
Other	203,148	1,000,000	1,203,148
Local			
Other	184,329	160,572	344,901
Charges for services			
Housing and economic development	4,000	34,176	38,176
Investment income	352,050	138,236	490,286
Miscellaneous			
Rents	379,613	-	379,613
Contributions and donations	251,876	63,272	315,148
Refunds and reimbursements	318,958	223,097	542,055
Loan payments	147,344	-	147,344
Other	30,393	18,543	48,936
TOTAL REVENUES	2,086,876	3,514,208	5,601,084
EXPENDITURES			
Current			
General government	63,285	-	63,285
Public safety	714,716	-	714,716
Public works	1,424	-	1,424
Culture and recreation	30,688	-	30,688
Housing and economic development	1,269,187	14,300	1,283,487
Capital outlay			
Public safety	94,341	-	94,341
Public works	-	1,468,704	1,468,704
Culture and recreation	27,328	2,036,469	2,063,797
Housing and economic development	6,991	3,370,370	3,377,361
Debt service			
Interest and other	78,069	-	78,069
Bond issue costs	-	5,060	5,060
TOTAL EXPENDITURES	2,286,029	6,894,903	9,180,932
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(199,153)	(3,380,695)	(3,579,848)

CITY OF MANKATO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES (DEFICITS) - CONTINUED
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2007

	Nonmajor Special Revenue	Nonmajor Capital Projects	Nonmajor Governmental Funds
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 682,809	\$ 3,012,188	\$ 3,694,997
Bonds issued	-	735,000	735,000
Discount on bonds issued	-	(2,712)	(2,712)
Transfers out	<u>(472,411)</u>	<u>(1,301,329)</u>	<u>(1,773,740)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>210,398</u>	<u>2,443,147</u>	<u>2,653,545</u>
NET CHANGE IN FUND BALANCES	11,245	(937,548)	(926,303)
FUND BALANCES (DEFICITS), JANUARY 1	<u>7,242,646</u>	<u>(4,794,234)</u>	<u>2,448,412</u>
FUND BALANCES (DEFICITS), DECEMBER 31	<u><u>\$ 7,253,891</u></u>	<u><u>\$ (5,731,782)</u></u>	<u><u>\$ 1,522,109</u></u>

NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds are created to account for specific revenues that are legally restricted to expenditure for particular purposes.

Revolving Loan – Federal: The purpose of this fund is to account for the activity of the economic development loans that have been financed with Federal funds.

Revolving Loan – State: The purpose of this fund is to account for the activity of economic development loans that have been financed with State funds.

Revolving Loan – City: The purpose of this fund is to account for the activity of economic development loans that have been financed internally.

Shared Records System: The purpose of this fund is to account for the activity of enhanced electronic public safety technology for a seven county area. The seven county member group and municipalities located within these counties provide the financial support for this fund.

Technology Plus Operations: The purpose of this fund is to account for the activity of providing individuals and businesses in the Mankato and surrounding area with cyber technology.

Highway #14 Partnership: The purpose of this fund is to account for the activity to promote and enhance Highway 14. Funding is derived from cities, counties, and townships located along the Highway 14 corridor. In addition, individuals, corporations and civic groups are dues paying members. Funds are expended promoting education and lobbying at the State legislature for highway improvements.

Neighborhood Improvement: The purpose of the fund is to account for the repayment of SCDP loans. These funds can be expended anywhere in the City considered necessary for renewal and revitalization.

MHFA Pohl Creek: The purpose of the fund is to account for the repayment of MHFA loans. The funds can be expended anywhere in the City for assistance with home ownership.

Community Signage Program: The purpose of this fund is to account for the costs associated with providing street signage for specific businesses or institutions. This is a four year program designed to aid visitors arrive to their destination. This program is funded via contributions from the participating members of the business community.

Community Investment: The purpose of this fund is to account for deposits received from developers and sub dividers to be used to finance future capital improvements in accordance with the sub dividers agreement.

MAGMAPS Grant: The purpose of this fund is to account for the activity of the Mankato Area Growth Management and Planning Study. The City of Mankato is the fiscal agent for a multi-jurisdictional effort that includes the following funding sources. A \$100,000 grant from the State Planning Agency, \$30,000 from Blue Earth County, \$50,000 from the City of Mankato, and \$20,000 of in-kind services from Nicollet County.

Parks and Recreation Grants & Donations: The purpose of this fund is to account for the Parks and Recreation grants and donations that are beyond the scope of the Parks and Recreation operating budget.

NONMAJOR SPECIAL REVENUE FUNDS – CONTINUED

Public Safety Grants and Donations: The purpose of this fund is to account for all Public Safety grants and donations that are beyond the scope of the Public Safety operating budget.

Police PERA Residual Assets: The purpose of this fund is to account for the proceeds from excess funds remaining from the consolidation of the Mankato Police Relief Association into the PERA Police and Fire Fund. The City is required to expend funds from this account, for the purposes listed, in accordance with City Council resolution that is on file with the Office of the State Auditor.

Risk Management: The purpose of this fund is to account for all rebates received from the insurance carrier for property, liability and workers compensation. The funds are intended to be used for any and all retroactive premium adjustments based upon experience modifications or any other risk management expenditures.

MHFA Home Steps Program: The purpose of this fund is to account for the activity of preparing current assisted housing tenants with a program, funded by MHFA, to become homebuyers and to provide direct financial assistance when they decide to do so.

MHFA Home Stretch Program: The purpose of this fund is to account for the activity of providing a certificate program, funded by MHFA, for first time home buyers in the education of home ownership.

MHFA Home Ownership Program: The purpose of this fund is to account for all State funds received from MHFA that will be used as loan proceeds for eligible applicants. Eligibility is required by MHFA standards.

MHFA Home Rental Rehabilitation: The purpose of this fund is to account for all State funds received from MHFA that will be used for home rental rehabilitation purposes. Eligibility standards are set by the MHFA.

MHFA Community Fix Up: The purpose of this fund is to account for all State funds received from MHFA that will be used for home renovation. The program addresses improvements and City code compliance issues. Eligibility standards are set by MHFA. This program has a higher income eligibility threshold. MHFA actually purchases the mortgage and the City of Mankato acts as a pass through agency. The program is available on the City-wide basis.

MHFA Community Revolving Loan: The purpose of this fund is to account for all State loan funds originally received from MHFA that are being recycled through this Revolving Loan Fund. These funds are repayments from the original down payment assistance loans originally granted to qualified applicants from previous administered MHFA Loan Programs. The recipients of these loans are new applicants.

MHFA Rehab Loan: The purpose of this fund is to account for all State funds from MHFA that will be used for home rehabilitation. Eligibility standards are set by MHFA. MHFA actually purchases the mortgage and the City of Mankato acts as a pass-through agency. This program is available City-wide.

Lincoln Park II: The purpose of this fund is to account for costs associated with the neighborhood grant program for revitalization of the Lincoln Park area.

CITY OF MANKATO, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2007

CITY OF MANKATO, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET - CONTINUED ON FOLLOWING PAGES
DECEMBER 31, 2007

	200 Revolving Loan- Federal	205 Revolving Loan- State	210 Revolving Loan- City	212 Shared Records System
ASSETS				
Cash and cash equivalents	\$ 39,094	\$ 40,949	\$ 78,579	\$ 10,874
Investments	800,000	-	2,900,000	-
Receivables				
Delinquent taxes	-	-	211	-
Accounts	3,300	-	6,620	-
Loans	1,013,124	-	356,529	-
Intergovernmental	-	-	-	166,032
Advances to other funds	-	-	206,373	-
Prepaid items	-	-	-	432
TOTAL ASSETS	<u><u>\$ 1,855,518</u></u>	<u><u>\$ 40,949</u></u>	<u><u>\$ 3,548,312</u></u>	<u><u>\$ 177,338</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 141,692
Due to other funds	-	-	-	50,000
Advances from other funds	-	-	1,070,331	-
Wages payable	-	-	-	13,959
Deposits payable	-	-	-	-
Deferred revenue	784,323	-	356,740	-
TOTAL LIABILITIES	<u>784,323</u>	<u>-</u>	<u>1,427,071</u>	<u>205,651</u>
FUND BALANCES (DEFICITS)				
Reserved for:				
Advances to other funds	-	-	206,373	-
Prepaid items	-	-	-	432
Police expenditures	-	-	-	-
Other purposes	-	-	-	-
Unreserved				
Designated for:				
Revolving loans	1,071,195	40,949	1,914,868	-
Neighborhood improvement	-	-	-	-
Community signage	-	-	-	-
MAGMAPS program	-	-	-	-
Parks grants and donations	-	-	-	-
Public safety grants and donations	-	-	-	-
Home steps/stretch/ownership programs	-	-	-	-
Insurance	-	-	-	-
Undesignated	-	-	-	(28,745)
TOTAL FUND BALANCES (DEFICITS)	<u>1,071,195</u>	<u>40,949</u>	<u>2,121,241</u>	<u>(28,313)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,855,518</u></u>	<u><u>\$ 40,949</u></u>	<u><u>\$ 3,548,312</u></u>	<u><u>\$ 177,338</u></u>

215 Technology Plus Operations	230 Highway #14 Partnership	236 Neighborhood Improvement	238 MHFA Pohl Creek	252 Community Signage Program	254 Community Investment	256 MAGMAPS Grant	258 Parks and Recreation Grants & Donations
\$ 7,200	\$ 26,201	\$ 82,622	\$ -	\$ 44,858	\$ 27,155	\$ 26,763	\$ 807
-	-	200,000	-	-	700,000	-	600,000
-	-	-	-	-	-	-	-
60,531	-	7,080	-	-	-	-	-
80,437	-	66,618	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
534	-	-	-	-	-	-	-
<u>\$ 148,702</u>	<u>\$ 26,201</u>	<u>\$ 356,320</u>	<u>\$ -</u>	<u>\$ 44,858</u>	<u>\$ 727,155</u>	<u>\$ 26,763</u>	<u>\$ 600,807</u>
\$ -	\$ 5,082	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
625,000	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,991	-	-	-	-	-	-	-
-	-	-	-	-	661,661	-	198,969
80,437	-	66,618	-	-	-	-	-
<u>709,428</u>	<u>5,082</u>	<u>66,618</u>	<u>-</u>	<u>-</u>	<u>661,661</u>	<u>-</u>	<u>198,969</u>
-	-	-	-	-	-	-	-
534	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	3,344
-	-	-	-	-	-	-	-
-	-	289,702	-	-	-	-	-
-	-	-	-	44,858	65,494	-	-
-	-	-	-	-	-	26,763	-
-	-	-	-	-	-	-	398,494
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(561,260)	21,119	-	-	-	-	-	-
<u>(560,726)</u>	<u>21,119</u>	<u>289,702</u>	<u>-</u>	<u>44,858</u>	<u>65,494</u>	<u>26,763</u>	<u>401,838</u>
<u>\$ 148,702</u>	<u>\$ 26,201</u>	<u>\$ 356,320</u>	<u>\$ -</u>	<u>\$ 44,858</u>	<u>\$ 727,155</u>	<u>\$ 26,763</u>	<u>\$ 600,807</u>

CITY OF MANKATO, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2007

	260 Public Safety Grants & Donations	262 Police PERA Residual Assets	266 Risk Management	268 MHFA Home Steps Program
ASSETS				
Cash and cash equivalents	\$ 71,103	\$ 53,780	\$ 26,433	\$ 4,926
Investments	1,500,000	1,300,000	800,000	-
Receivables				
Delinquent taxes	-	-	-	-
Accounts	2,500	-	-	-
Loans	-	-	-	-
Intergovernmental	-	-	-	-
Advances to other funds	-	-	-	-
Prepaid items	-	-	-	-
TOTAL ASSETS	<u>\$ 1,573,603</u>	<u>\$ 1,353,780</u>	<u>\$ 826,433</u>	<u>\$ 4,926</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Wages payable	-	-	-	-
Deposits payable	74,925	-	-	-
Deferred revenue	-	-	-	-
TOTAL LIABILITIES	<u>74,925</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)				
Reserved for:				
Advances to other funds	-	-	-	-
Prepaid items	-	-	-	-
Police expenditures	25,321	1,353,780	-	-
Other purposes	-	-	-	-
Unreserved				
Designated for:				
Revolving loans	-	-	-	-
Neighborhood improvement	-	-	-	-
Community signage	-	-	-	-
MAGMAPS program	-	-	-	-
Parks grants and donations	-	-	-	-
Public safety grants and donations	1,473,357	-	-	-
Home steps/stretch/ownership programs	-	-	-	4,926
Insurance	-	-	826,433	-
Undesignated	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>1,498,678</u>	<u>1,353,780</u>	<u>826,433</u>	<u>4,926</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,573,603</u>	<u>\$ 1,353,780</u>	<u>\$ 826,433</u>	<u>\$ 4,926</u>

270 MHFA Home Stretch Program	272 MHFA Home Ownership Program	274 MHFA Home Rental Rehabilitation	276 MHFA Community Fix Up	278 MHFA Community Revolving Loan	282 MHFA Rehab Loan Program	290 Lincoln Park II	Total Nonmajor Special Revenue
\$ 16,939	\$ -	\$ 182	\$ -	\$ 53,838	\$ -	\$ -	\$ 612,303
-	-	-	-	-	-	-	8,800,000
-	-	-	-	-	-	-	211
-	-	-	-	-	-	-	80,031
-	-	-	-	430,860	-	-	1,947,568
-	-	92,278	-	-	-	-	258,310
-	-	-	-	-	-	-	206,373
-	-	-	-	-	-	-	966
<u>\$ 16,939</u>	<u>\$ -</u>	<u>\$ 92,460</u>	<u>\$ -</u>	<u>\$ 484,698</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,905,762</u>
\$ -	\$ -	\$ 7,283	\$ -	\$ -	\$ -	\$ -	\$ 154,057
-	-	75,000	-	-	-	-	750,000
-	-	-	-	-	-	-	1,070,331
-	-	-	-	-	-	-	17,950
5,000	-	-	-	-	-	-	940,555
-	-	-	-	430,860	-	-	1,718,978
<u>5,000</u>	<u>-</u>	<u>82,283</u>	<u>-</u>	<u>430,860</u>	<u>-</u>	<u>-</u>	<u>4,651,871</u>
-	-	-	-	-	-	-	206,373
-	-	-	-	-	-	-	966
-	-	-	-	-	-	-	1,379,101
-	-	-	-	-	-	-	3,344
-	-	-	-	-	-	-	3,027,012
-	-	-	-	-	-	-	289,702
-	-	-	-	-	-	-	110,352
-	-	-	-	-	-	-	26,763
-	-	-	-	-	-	-	398,494
-	-	-	-	-	-	-	1,473,357
-	-	10,177	-	53,838	-	-	68,941
-	-	-	-	-	-	-	826,433
11,939	-	-	-	-	-	-	(556,947)
<u>11,939</u>	<u>-</u>	<u>10,177</u>	<u>-</u>	<u>53,838</u>	<u>-</u>	<u>-</u>	<u>7,253,891</u>
<u>\$ 16,939</u>	<u>\$ -</u>	<u>\$ 92,460</u>	<u>\$ -</u>	<u>\$ 484,698</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,905,762</u>

CITY OF MANKATO, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) -
CONTINUED ON FOLLOWING PAGES
YEAR ENDED DECEMBER 31, 2007

	200 Revolving Loan- Federal	205 Revolving Loan- State	210 Revolving Loan- City	212 Shared Records System
REVENUES				
Taxes				
Tax increments	\$ 31,196	\$ -	\$ 10,400	\$ -
Intergovernmental				
Federal				
Other	-	-	-	-
State				
Other	-	-	-	-
Local				
Other	-	-	-	114,939
Charges for services				
Housing and economic development	-	-	4,000	-
Investment income	27,796	1,417	126,735	-
Miscellaneous				
Rents	-	-	-	-
Refunds and reimbursements	-	-	-	-
Contributions	-	-	-	-
Loan payments	36,384	-	48,468	-
Other	-	-	-	3,315
	<u>95,376</u>	<u>1,417</u>	<u>189,603</u>	<u>118,254</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	-	709,993
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Housing and economic development	24,196	-	16,371	-
Capital outlay				
Public safety	-	-	-	94,341
Culture and recreation	-	-	-	-
Housing and economic development	-	-	-	-
Debt service				
Interest and other	-	-	78,069	-
	<u>24,196</u>	<u>-</u>	<u>94,440</u>	<u>804,334</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>71,180</u>	<u>1,417</u>	<u>95,163</u>	<u>(686,080)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	633,551
Transfers out	-	-	(100,000)	-
	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>633,551</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES	71,180	1,417	(4,837)	(52,529)
FUND BALANCES (DEFICITS), JANUARY 1	<u>1,000,015</u>	<u>39,532</u>	<u>2,126,078</u>	<u>24,216</u>
FUND BALANCES (DEFICITS), DECEMBER 31	<u>\$ 1,071,195</u>	<u>\$ 40,949</u>	<u>\$ 2,121,241</u>	<u>\$ (28,313)</u>

215 Technology Plus Operations	230 Highway #14 Partnership	236 Neighborhood Improvement	238 MHFA Pohl Creek	252 Community Signage Program	254 Community Investment	256 MAGMAPS Grant	258 Parks and Recreation Grants and Donations
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	32,940	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	10,329	-	1,531	26,487	-	25,848
379,613	-	-	-	-	-	-	-
209,675	-	-	-	-	-	-	-
-	13,200	-	-	9,985	-	-	207,691
5,448	-	37,575	3,899	-	-	-	-
5,866	220	-	-	-	-	-	570
600,602	46,360	47,904	3,899	11,516	26,487	-	234,109
-	63,285	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,424	-	-	-
-	-	-	-	-	-	-	30,688
673,688	-	182,871	-	-	1,438	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	27,328
6,991	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
680,679	63,285	182,871	-	1,424	1,438	-	58,016
(80,077)	(16,925)	(134,967)	3,899	10,092	25,049	-	176,093
-	-	-	-	-	-	-	-
(23,821)	-	-	(9,123)	-	-	-	(200,000)
(23,821)	-	-	(9,123)	-	-	-	(200,000)
(103,898)	(16,925)	(134,967)	(5,224)	10,092	25,049	-	(23,907)
(456,828)	38,044	424,669	5,224	34,766	40,445	26,763	425,745
\$ (560,726)	\$ 21,119	\$ 289,702	\$ -	\$ 44,858	\$ 65,494	\$ 26,763	\$ 401,838

CITY OF MANKATO, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) - CONTINUED
YEAR ENDED DECEMBER 31, 2007

	260 Public Safety Grants and Donations	262 Police PERA Residual Assets	266 Risk Management	268 MHFA Home Steps Program
REVENUES				
Taxes				
Tax increments	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal				
Other	4,084	-	-	-
State				
Other	237	-	-	5,500
Local				
Other	-	-	-	-
Charges for services				
Housing and economic development	-	-	-	-
Investment income	55,663	47,888	25,971	128
Miscellaneous				
Rents	-	-	-	-
Refunds and reimbursements	-	-	109,283	-
Contributions	21,000	-	-	-
Loan payments	-	-	-	-
Other	-	-	-	800
TOTAL REVENUES	80,984	47,888	135,254	6,428
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	4,723	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Housing and economic development	-	-	-	5,687
Capital outlay				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Housing and economic development	-	-	-	-
Debt service				
Interest and other	-	-	-	-
TOTAL EXPENDITURES	4,723	-	-	5,687
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	76,261	47,888	135,254	741
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(74,671)	(38,500)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(74,671)	(38,500)	-	-
NET CHANGE IN FUND BALANCES	1,590	9,388	135,254	741
FUND BALANCES (DEFICITS), JANUARY 1	1,497,088	1,344,392	691,179	4,185
FUND BALANCES (DEFICITS), DECEMBER 31	\$ 1,498,678	\$ 1,353,780	\$ 826,433	\$ 4,926

270 MHFA Home Stretch Program	272 MHFA Home Ownership Program	274 MHFA Home Rental Rehabilitation	276 MHFA Community Fix Up	278 MHFA Community Revolving Loan	282 MHFA Rehab Loan Program	290 Lincoln Park II	Total Nonmajor Special Revenue
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,596
-	-	-	-	-	-	169,485	173,569
5,000	-	92,278	-	60,000	40,133	-	203,148
-	-	-	-	-	36,450	-	184,329
-	-	-	-	-	-	-	4,000
576	64	-	4	1,139	474	-	352,050
-	-	-	-	-	-	-	379,613
-	-	-	-	-	-	-	318,958
-	-	-	-	-	-	-	251,876
-	15,570	-	-	-	-	-	147,344
2,540	-	16,082	-	-	1,000	-	30,393
8,116	15,634	108,360	4	61,139	78,057	169,485	2,086,876
-	-	-	-	-	-	-	63,285
-	-	-	-	-	-	-	714,716
-	-	-	-	-	-	-	1,424
-	-	-	-	-	-	-	30,688
7,123	-	108,199	-	60,060	56,286	133,268	1,269,187
-	-	-	-	-	-	-	94,341
-	-	-	-	-	-	-	27,328
-	-	-	-	-	-	-	6,991
-	-	-	-	-	-	-	78,069
7,123	-	108,199	-	60,060	56,286	133,268	2,286,029
993	15,634	161	4	1,079	21,771	36,217	(199,153)
-	-	-	-	18,031	-	31,227	682,809
-	(8,319)	-	(237)	-	(17,740)	-	(472,411)
-	(8,319)	-	(237)	18,031	(17,740)	31,227	210,398
993	7,315	161	(233)	19,110	4,031	67,444	11,245
10,946	(7,315)	10,016	233	34,728	(4,031)	(67,444)	7,242,646
\$ 11,939	\$ -	\$ 10,177	\$ -	\$ 53,838	\$ -	\$ -	\$ 7,253,891

CITY OF MANKATO, MINNESOTA
 SHARED RECORDS SYSTEM FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - (DEFICIT)
 BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2007
 With Comparative Actual Amounts for Year Ended December 31, 2006

	2007			2006
	Final Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Intergovernmental				
Local	\$ 216,887	\$ 114,939	\$ (101,948)	\$ 185,383
Charges for services				
Miscellaneous				
Other	2,300	3,315	1,015	2,836
TOTAL REVENUES	219,187	118,254	(100,933)	188,219
EXPENDITURES				
Current				
Public safety				
Police				
Personal services	433,038	444,342	(11,304)	424,434
Supplies	52,850	28,196	24,654	21,202
Other services and charges	381,550	237,455	144,095	288,925
Total current	867,438	709,993	157,445	734,561
Capital outlay				
Public safety	1,050	94,341	(93,291)	55,762
TOTAL EXPENDITURES	868,488	804,334	64,154	790,323
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(649,301)	(686,080)	(36,779)	(602,104)
OTHER FINANCING SOURCES				
Transfers in	648,611	633,551	(15,060)	577,785
NET CHANGE IN FUND BALANCES	(690)	(52,529)	(51,839)	(24,319)
FUND BALANCES, JANUARY 1	24,216	24,216	-	48,535
FUND BALANCES (DEFICIT), DECEMBER 31	\$ 23,526	\$ (28,313)	\$ (51,839)	\$ 24,216

CITY OF MANKATO, MINNESOTA
 TECHNOLOGY PLUS OPERATIONS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND DEFICITS -
 BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2007
 With Comparative Actual Amounts for Year Ended December 31, 2006

	2007			2006
	Final Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Intergovernmental				
Charges for services				
Housing and economic development	\$ 3,600	\$ -	\$ (3,600)	\$ -
Miscellaneous				
Rents	375,500	379,613	4,113	434,651
Refunds and reimbursements	192,614	209,675	17,061	278,669
Loan repayments	-	5,448	5,448	8,700
Other	3,000	5,866	2,866	4,967
TOTAL REVENUES	574,714	600,602	25,888	726,987
EXPENDITURES				
Current				
Housing and economic development				
Personal services	107,301	111,639	(4,338)	84,284
Supplies	32,300	22,199	10,101	26,010
Other services and charges	467,050	539,850	(72,800)	565,355
Capital outlay				
Housing and economic development	-	6,991	(6,991)	18,966
TOTAL EXPENDITURES	606,651	680,679	(74,028)	694,615
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(31,937)	(80,077)	(48,140)	32,372
OTHER FINANCING SOURCES (USES)				
Transfers out	(22,577)	(23,821)	(1,244)	(17,865)
TOTAL OTHER FINANCING SOURCES (USES)	(22,577)	(23,821)	(1,244)	(17,865)
NET CHANGE IN FUND BALANCES	(54,514)	(103,898)	(49,384)	14,507
FUND DEFICITS, JANUARY 1	(456,828)	(456,828)	-	(471,335)
FUND DEFICITS, DECEMBER 31	<u>\$ (511,342)</u>	<u>\$ (560,726)</u>	<u>\$ (49,384)</u>	<u>\$ (456,828)</u>

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NONMAJOR CAPITAL PROJECTS FUNDS

Capital projects funds are created to account for all resources used for the acquisition of capital facilities by a governmental unit except those financed by enterprise funds.

Sibley Park Tax Increment Phase I: The purpose of this fund is to account for costs associated with the redevelopment of the Sibley Parkway Project located along the river between the downtown area and West Mankato.

Sibley Park Tax Increment Phase II: The purpose of this fund is to account for costs associated with phase two of the lower west side neighborhood redevelopment. This project will be adjacent to the Sibley Parkway I development area.

Downtown Tax Increment: The purpose of this fund is to account for costs associated with the redevelopment of the downtown area.

Public Buildings: The purpose of this fund is to account for costs associated with the construction of City Hall.

Lime Valley Tax Increment: The purpose of this fund is to account for costs associated with the development of the Lime Valley Industrial Park.

South Riverfront Tax Increment: The purpose of this fund is to account for costs associated with the infrastructure in relation to the new Cub Foods.

Katolight Tax Increment: The purpose of this fund is to account for costs associated with the expansion of Katolight.

Municipal State Aid Project: The purpose of this fund is to account for funds received from the State of Minnesota for improving and maintaining MSA highways within city limits.

University Square Tax Increment: The purpose of this fund is to account for costs associated with the redevelopment of the University Square Mall.

Riverside Park Construction: The purpose of this fund is to account for all activity related to the acquisition and development of the Riverside Park Project. The park is located adjacent to the Minnesota River along the north end of the City. The Park is being financed through the use of City Charter Bonds.

Downtown Development: The purpose of this fund is to account for all activity related to the proposed improvements in the Core Area of the Downtown property. The activities include, but are not limited to, 1) the design and construction of an additional downtown parking ramp; 2) the design and construction of improvements to the existing stair towers located in the Mankato Place Ramp; 3) the design and development of a skywalk system connecting various structures to the Midwest Wireless Civic Center.

All Seasons Arena Construction: The purpose of this fund is to account for all construction costs and improvements to the All Seasons Arena. The City of Mankato will act as the lead financing agent for the project. The costs associated with this project will be shared by the City of Mankato, the City of North Mankato, the City of Skyline, and Blue Earth County.

Franklin Rogers Park Improvements: The purpose of this fund is to account for the lighting improvements at Franklin Rogers Park.

NONMAJOR CAPITAL PROJECTS FUNDS - CONTINUED

Johnson Tax Increment: The purpose of this fund is to account for costs associated with the development of a facility for Johnson Outdoors.

Public Safety Campus: The purpose of this fund is to account for costs associated with the development of a Public Safety Campus in the Lamm Street area. This project is designed to provide office space and garage areas for the police department of the City of Mankato.

Sibley Park Farm/Zoo Project: The purpose of this fund is to account for costs associated with the development of the Sibley Zoo concept as presented to the City Council.

Wal-Mart Distribution Center: The purpose of this fund is to account for all infrastructure costs associated with the construction of the Wal-Mart Distribution Site located on the east end of the community. This fund will also account for all related costs identified in the DEED (Minnesota Department of Employment and Economic Development) grant awarded by the State of Minnesota for the Wal-Mart Distribution Center.

Construction Revolving: The purpose of this fund is to account for planning costs associated with street projects being development.

Improvements 2000: The purpose of this fund is to account for costs associated with major street projects with construction starting in 1999.

Improvements 2001: The purpose of this fund is to account for costs associated with major street projects with construction starting in 2000.

Improvements 2002: The purpose of this fund is to account for costs associated with major street projects with construction starting in 2001.

Improvements 2003: The purpose of this fund is to account for costs associated with major street projects with construction starting in 2002.

Improvements 2004: The purpose of this fund is to account for costs associated with major street projects with construction starting in 2003.

Improvements 2005: The purpose of this fund is to account for costs associated with major street projects with construction starting in 2004.

Improvements 2008: The purpose of this fund is to account for costs associated with major street projects with construction starting in 2007.

Minor Street Repair: The purpose of this fund is to account for costs associated with the street overlay program.

CITY OF MANKATO, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2007

CITY OF MANKATO, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET - CONTINUED ON FOLLOWING PAGES
DECEMBER 31, 2007

	412 Sibley Park Tax Increment Phase I	414 Sibley Park Tax Increment Phase II	418 Downtown Tax Increment	444 Public Buildings
ASSETS				
Cash and cash equivalents	\$ 21,324	\$ 3,578	\$ 1,872	\$ -
Investments	-	-	-	-
Receivables				
Delinquent taxes	-	-	15,603	-
Accounts	-	-	-	-
Special assessments				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Intergovernmental	-	-	-	-
TOTAL ASSETS	<u><u>\$ 21,324</u></u>	<u><u>\$ 3,578</u></u>	<u><u>\$ 17,475</u></u>	<u><u>\$ -</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 125,462	\$ -	\$ -	\$ -
Due to other funds	1,700,000	15,000	-	-
Deferred revenue	-	-	15,603	-
TOTAL LIABILITIES	<u>1,825,462</u>	<u>15,000</u>	<u>15,603</u>	<u>-</u>
FUND BALANCES (DEFICITS)				
Unreserved				
Designated for capital projects	-	-	1,872	-
Undesignated	<u>(1,804,138)</u>	<u>(11,422)</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES (DEFICITS)	<u>(1,804,138)</u>	<u>(11,422)</u>	<u>1,872</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 21,324</u></u>	<u><u>\$ 3,578</u></u>	<u><u>\$ 17,475</u></u>	<u><u>\$ -</u></u>

458	472	474	476	478	480	482
Lime Valley Tax Increment	South Riverfront Tax Increment	Katolight Tax Increment	Municipal State Aid Project	University Square Tax Increment	Riverside Park Construction	Downtown Development
\$ 22,051	\$ 5,769	\$ 1,917	\$ 45,699	\$ 248,479	\$ 12,348	\$ 1,447
300,000	-	-	700,000	-	1,500,000	-
78,368	-	-	-	-	-	-
-	-	-	-	-	50,000	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 400,419</u>	<u>\$ 5,769</u>	<u>\$ 1,917</u>	<u>\$ 745,699</u>	<u>\$ 248,479</u>	<u>\$ 1,562,348</u>	<u>\$ 1,447</u>
\$ -	\$ -	\$ -	\$ 42,453	\$ -	\$ 10,000	\$ 192,925
-	590,000	155,000	-	-	-	725,000
78,368	-	-	-	-	-	-
<u>78,368</u>	<u>590,000</u>	<u>155,000</u>	<u>42,453</u>	<u>-</u>	<u>10,000</u>	<u>917,925</u>
322,051	-	-	703,246	248,479	1,552,348	-
-	(584,231)	(153,083)	-	-	-	(916,478)
<u>322,051</u>	<u>(584,231)</u>	<u>(153,083)</u>	<u>703,246</u>	<u>248,479</u>	<u>1,552,348</u>	<u>(916,478)</u>
<u>\$ 400,419</u>	<u>\$ 5,769</u>	<u>\$ 1,917</u>	<u>\$ 745,699</u>	<u>\$ 248,479</u>	<u>\$ 1,562,348</u>	<u>\$ 1,447</u>

CITY OF MANKATO, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2007

	486	488	492	494
	All Seasons Arena Construction	Franklin Rogers Park Improvements	Johnson Tax Increment	Public Safety Campus
ASSETS				
Cash and cash equivalents	\$ 6,000	\$ -	\$ 48,091	\$ 440
Investments	-	-	100,000	-
Receivables				
Delinquent taxes	-	-	-	-
Accounts	-	-	-	-
Special assessments				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Intergovernmental	-	-	-	-
TOTAL ASSETS	<u><u>\$ 6,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 148,091</u></u>	<u><u>\$ 440</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	950,000	-	-	10,000
Deferred revenue	-	-	-	-
TOTAL LIABILITIES	<u>950,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
FUND BALANCES (DEFICITS)				
Unreserved				
Designated for capital projects	-	-	148,091	-
Undesignated	<u>(944,000)</u>	<u>-</u>	<u>-</u>	<u>(9,560)</u>
TOTAL FUND BALANCES (DEFICITS)	<u>(944,000)</u>	<u>-</u>	<u>148,091</u>	<u>(9,560)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 6,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 148,091</u></u>	<u><u>\$ 440</u></u>

498	499	515	536	537	538	539	540
Sibley Park Farm/Zoo Project	Wal-Mart Distribution Center	Construction Revolving	Improvements 2000	Improvements 2001	Improvements 2002	Improvements 2003	Improvements 2004
\$ 94,524	\$ 11,414	\$ 66,556	\$ 2,959	\$ 3,864	\$ -	\$ -	\$ -
-	-	400,000	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	57,041	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	132,558	74,709	-	-	-	-
<u>\$ 94,524</u>	<u>\$ 11,414</u>	<u>\$ 656,155</u>	<u>\$ 77,668</u>	<u>\$ 3,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 64,143	\$ -	\$ 3,565	\$ -	\$ -	\$ -	\$ -	\$ -
-	1,700,000	-	1,930,000	1,065,000	-	-	-
-	-	57,041	-	-	-	-	-
<u>64,143</u>	<u>1,700,000</u>	<u>60,606</u>	<u>1,930,000</u>	<u>1,065,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
30,381	-	595,549	-	-	-	-	-
-	(1,688,586)	-	(1,852,332)	(1,061,136)	-	-	-
<u>30,381</u>	<u>(1,688,586)</u>	<u>595,549</u>	<u>(1,852,332)</u>	<u>(1,061,136)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 94,524</u>	<u>\$ 11,414</u>	<u>\$ 656,155</u>	<u>\$ 77,668</u>	<u>\$ 3,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MANKATO, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2007

	541	544	552	Total Nonmajor Capital Projects
	Improvements 2005	Improvements 2008	Minor Street Repair	
ASSETS				
Cash and cash equivalents	\$ 3,002	\$ 3,496	\$ 106,788	\$ 711,618
Investments	-	-	500,000	3,500,000
Receivables				
Delinquent taxes	-	-	-	93,971
Accounts	-	-	-	50,000
Special assessments				
Delinquent	-	-	13,478	70,519
Deferred	-	-	473,892	473,892
Intergovernmental	-	-	-	207,267
TOTAL ASSETS	\$ 3,002	\$ 3,496	\$ 1,094,158	\$ 5,107,267
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 167,119	\$ -	\$ -	\$ 605,667
Due to other funds	725,000	30,000	-	9,595,000
Deferred revenue	-	-	487,370	638,382
TOTAL LIABILITIES	892,119	30,000	487,370	10,839,049
FUND BALANCES (DEFICITS)				
Unreserved				
Designated for capital projects	-	-	606,788	4,208,805
Undesignated	(889,117)	(26,504)	-	(9,940,587)
TOTAL FUND BALANCES (DEFICITS)	(889,117)	(26,504)	606,788	(5,731,782)
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,002	\$ 3,496	\$ 1,094,158	\$ 5,107,267

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CITY OF MANKATO, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) -
CONTINUED ON FOLLOWING PAGES
YEAR ENDED DECEMBER 31, 2007

	412	414	418	444
	Sibley Park Tax Increment Phase I	Sibley Park Tax Increment Phase II	Downtown Tax Increment	Public Buildings
REVENUES				
Taxes				
Tax increments	\$ -	\$ -	\$ 510,974	\$ -
Tax abatement	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental				
State				
MSA - street construction	-	-	-	-
Other aids	-	-	-	-
County				
Street aids	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	3,550	-
Miscellaneous				
Contributions and donations	-	-	-	-
Refunds and reimbursements	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>514,524</u>	<u>-</u>
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>514,524</u>	<u>-</u>
EXPENDITURES				
Current				
Housing and economic development	-	-	-	-
Capital outlay				
Public works	-	-	-	-
Culture and recreation	1,804,138	11,422	-	-
Housing and economic development	-	-	-	-
Debt service				
Interest and other	-	-	-	-
Bond issue costs	-	-	-	-
	<u>1,804,138</u>	<u>11,422</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>1,804,138</u>	<u>11,422</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,804,138)</u>	<u>(11,422)</u>	<u>514,524</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	430,000
Bonds issued	-	-	-	-
Bond premium (discount) on bonds issued	-	-	-	-
Transfers out	-	-	(514,844)	-
	<u>-</u>	<u>-</u>	<u>(514,844)</u>	<u>430,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(514,844)</u>	<u>430,000</u>
NET CHANGE IN FUND BALANCES	(1,804,138)	(11,422)	(320)	430,000
FUND BALANCES (DEFICITS), JANUARY 1	<u>-</u>	<u>-</u>	<u>2,192</u>	<u>(430,000)</u>
FUND BALANCES (DEFICITS), DECEMBER 31	<u>\$ (1,804,138)</u>	<u>\$ (11,422)</u>	<u>\$ 1,872</u>	<u>\$ -</u>

458	472	474	476	478	480	482
Lime Valley Tax Increment	South Riverfront Tax Increment	Katolight Tax Increment	Municipal State Aid Project	University Square Tax Increment	Riverside Park Construction	Downtown Development
\$ 187,660	\$ 79,286	\$ 72,432	\$ -	\$ 106,445	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	223,862	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	34,176	-	-	-	-
7,322	-	-	33,893	6,363	33,669	3,947
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
194,982	79,286	106,608	257,755	112,808	33,669	3,947
14,300	-	-	-	-	-	-
-	-	-	386,133	-	-	-
-	-	-	-	-	78,230	-
-	-	-	-	1,095	-	2,481,703
-	-	-	-	-	-	-
-	-	-	-	-	-	-
14,300	-	-	386,133	1,095	78,230	2,481,703
180,682	79,286	106,608	(128,378)	111,713	(44,561)	(2,477,756)
-	-	-	-	-	-	670,960
-	-	-	-	-	735,000	-
-	-	-	-	-	(2,712)	-
-	-	-	(133,536)	-	-	-
-	-	-	(133,536)	-	732,288	670,960
180,682	79,286	106,608	(261,914)	111,713	687,727	(1,806,796)
141,369	(663,517)	(259,691)	965,160	136,766	864,621	890,318
\$ 322,051	\$ (584,231)	\$ (153,083)	\$ 703,246	\$ 248,479	\$ 1,552,348	\$ (916,478)

CITY OF MANKATO, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) - CONTINUED
YEAR ENDED DECEMBER 31, 2007

	486	488	492	494
	All Seasons Arena Construction	Franklin Rogers Park Improvements	Johnson Tax Increment	Public Safety Campus
REVENUES				
Taxes				
Tax increments	\$ -	\$ -	\$ 228	\$ -
Tax abatement	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental				
State				
MSA - street construction	-	-	-	-
Other aids	-	-	-	-
County				
Street aids	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	5,126	-
Miscellaneous				
Contributions and donations	63,272	-	-	-
Refunds and reimbursements	-	-	-	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	63,272	-	5,354	-
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EXPENDITURES				
Current				
Housing and economic development	-	-	-	-
Capital outlay				
Public works	-	-	-	-
Culture and recreation	850	-	-	-
Housing and economic development	-	-	-	9,560
Debt service				
Interest and other	-	-	-	-
Bond issue costs	-	-	5,060	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	850	-	5,060	9,560
	<hr/>	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	62,422	-	294	(9,560)
	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)				
Transfers in	42,728	-	-	-
Bonds issued	-	-	-	-
Bond premium (discount) on bonds issued	-	-	-	-
Transfers out	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	42,728	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
NET CHANGES IN FUND BALANCES	105,150	-	294	(9,560)
FUND BALANCES (DEFICITS), JANUARY 1	(1,049,150)	-	147,797	-
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES (DEFICITS), DECEMBER 31	\$ (944,000)	\$ -	\$ 148,091	\$ (9,560)
	<hr/>	<hr/>	<hr/>	<hr/>

498	499	515	536	537	538	539	540
Sibley Park Farm/Zoo Project	Wal-Mart Distribution Center	Construction Revolving	Improvements 2000	Improvements 2001	Improvements 2002	Improvements 2003	Improvements 2004
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	398,157	-	-	-	-
-	-	-	-	-	-	-	-
-	-	17,460	-	-	-	-	-
-	1,000,000	-	-	-	-	-	-
-	-	-	-	-	-	-	160,572
-	-	-	-	-	-	-	-
-	-	27,940	-	-	-	-	-
-	-	-	-	-	-	-	-
-	223,097	-	-	-	-	-	-
18,543	-	-	-	-	-	-	-
18,543	1,223,097	45,400	398,157	-	-	-	160,572
-	-	-	-	-	-	-	-
-	-	236,600	-	-	-	29,628	24,625
141,829	-	-	-	-	-	-	-
-	878,012	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
141,829	878,012	236,600	-	-	-	29,628	24,625
(123,286)	345,085	(191,200)	398,157	-	-	(29,628)	135,947
153,667	-	142,888	-	132,600	142,586	161,864	419,534
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(279,079)	-	-	-	-	-
153,667	-	(136,191)	-	132,600	142,586	161,864	419,534
30,381	345,085	(327,391)	398,157	132,600	142,586	132,236	555,481
-	(2,033,671)	922,940	(2,250,489)	(1,193,736)	(142,586)	(132,236)	(555,481)
\$ 30,381	\$ (1,688,586)	\$ 595,549	\$ (1,852,332)	\$ (1,061,136)	\$ -	\$ -	\$ -

CITY OF MANKATO, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) - CONTINUED
YEAR ENDED DECEMBER 31, 2007

	541	544	552	Total Nonmajor Capital Projects
	Improvements 2005	Improvements 2008	Minor Street Repair	
REVENUES				
Taxes				
Tax increments	\$ -	\$ -	\$ -	\$ 957,025
Tax abatement	-	-	-	398,157
Special assessments	-	-	279,808	279,808
Intergovernmental				
State				
MSA - street construction	-	-	-	241,322
Other aids	-	-	-	1,000,000
County				
Street aids	-	-	-	160,572
Charges for services	-	-	-	34,176
Investment income	-	-	16,426	138,236
Miscellaneous				
Contributions and donations	-	-	-	63,272
Refunds and reimbursements	-	-	-	223,097
Other	-	-	-	18,543
TOTAL REVENUES	-	-	296,234	3,514,208
EXPENDITURES				
Current				
Housing and economic development	-	-	-	14,300
Capital outlay				
Public works	765,214	26,504	-	1,468,704
Culture and recreation	-	-	-	2,036,469
Housing and economic development	-	-	-	3,370,370
Debt service				
Interest and other	-	-	-	-
Bond issue costs	-	-	-	5,060
TOTAL EXPENDITURES	765,214	26,504	-	6,894,903
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(765,214)	(26,504)	296,234	(3,380,695)
OTHER FINANCING SOURCES (USES)				
Transfers in	715,361	-	-	3,012,188
Bonds issued	-	-	-	735,000
Bond premium (discount) on bonds issued	-	-	-	(2,712)
Transfers out	-	-	(373,870)	(1,301,329)
TOTAL OTHER FINANCING SOURCES (USES)	715,361	-	(373,870)	2,443,147
NET CHANGE IN FUND BALANCES	(49,853)	(26,504)	(77,636)	(937,548)
FUND BALANCES (DEFICITS), JANUARY 1	(839,264)	-	684,424	(4,794,234)
FUND BALANCES (DEFICITS), DECEMBER 31	<u>\$ (889,117)</u>	<u>\$ (26,504)</u>	<u>\$ 606,788</u>	<u>\$ (5,731,782)</u>

NONMAJOR ENTERPRISE FUNDS

Enterprise funds are established to account for the financing for self-supporting activities of governmental units which render services on a user charge basis to the general public. The most universal type of government enterprise is the public utility engaged in the provision of such basic services as water, electricity, and natural gas.

Sanitary sewer systems financed by user charges have also assumed the status of public utility operations in many urban areas, and many cities have combined water and sewer systems under the same management.

Eastwood Park: The purpose of this fund is to account for the investment in streets and utilities in the Park and to account for the sale of lots.

Storm Water Utility: The purpose of this fund is to account for the storm water utility costs as well as all of the flood control costs of the City. This activity is funded via a monthly user fee charged on each utility billing account.

Mass Transit: The purpose of this fund is to account for the costs associated with the City-owned mass transit operations and to insure that user charges are sufficient to pay for those costs.

Parking System: The purpose of this fund is to account for the costs associated with the City-owned parking facilities and to insure that user charges are sufficient to pay for those costs.

Riverfront 2000 Major Improvements Fund: The purpose of this fund is to finance and account for major capital improvements specifically for the area defined as the Riverfront 2000 project area. This is also commonly known as the greater area in and around the downtown civic center but extends into the Riverfront area as well.

Riverfront 2000 Events & Marketing Fund: The purpose of this fund is to finance and account for costs associated with the marketing, promotional, and event related activity designed to promote the greater Riverfront 2000 project area.

Economic Development: The purpose of this fund is to account for the costs associated with the efforts to attract additional economic development in the City.

CITY OF MANKATO, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENTS OF NET ASSETS
DECEMBER 31, 2007 AND 2006

CITY OF MANKATO, MINNESOTA
COMBINING STATEMENTS OF NET ASSETS - CONTINUED ON FOLLOWING PAGES
NONMAJOR PROPRIETARY FUNDS
DECEMBER 31, 2007 AND 2006

	Business-type Activities - Enterprise Funds			
	605		606	
	Eastwood Park		Storm Water Utility	
	2007	2006	2007	2006
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 32,992	\$ 32,352	\$ 43,710	\$ 192,145
Investments	-	-	700,000	500,000
Investments - Industrial Park	-	-	-	-
Receivables				
Delinquent taxes	-	-	-	-
Accounts	-	-	58,266	62,572
Loans - current portion	-	-	-	-
Intergovernmental	-	-	-	-
Prepaid items	-	-	99	-
TOTAL CURRENT ASSETS	32,992	32,352	802,075	754,717
NONCURRENT ASSETS				
Loans receivable - net of current portion	-	-	-	-
Special assessments receivable - deferred	-	-	-	-
Capital assets				
Land	31,374	31,374	-	-
Land improvements	-	-	-	-
Buildings and structures	-	-	182,900	6,852
Machinery and vehicles	-	-	102,151	75,151
Office equipment	-	-	-	-
Other improvements	72,982	72,982	-	-
Less accumulated depreciation	-	-	(56,314)	(38,169)
TOTAL CAPITAL ASSETS	104,356	104,356	228,737	43,834
TOTAL NONCURRENT ASSETS	104,356	104,356	228,737	43,834
TOTAL ASSETS	137,348	136,708	1,030,812	798,551

Business-type Activities - Enterprise Funds

610		611		626		627	
Mass Transit		Parking System		Riverfront 2000 Major Improvements		Riverfront 2000 Events and Marketing	
2007	2006	2007	2006	2007	2006	2007	2006
\$ 650,069	\$ 50,678	\$ 104,625	\$ 86,724	\$ 68,590	\$ 77,990	\$ 87,094	\$ 113,456
-	500,000	400,000	500,000	-	-	700,000	400,000
-	-	-	-	-	-	-	-
190	201	-	-	-	-	-	-
3,988	3,073	17	60	-	-	-	-
-	-	-	-	-	-	-	-
158,182	175,769	450	450	-	-	-	-
4,656	10,479	993	1,426	-	-	-	-
817,085	740,200	506,085	588,660	68,590	77,990	787,094	513,456
-	-	23,330	23,330	-	-	-	-
-	-	219,119	182,135	-	-	-	-
-	-	881,898	881,898	-	-	-	-
-	-	73,847	73,847	-	-	-	-
586,270	628,175	6,044,128	3,483,291	-	-	-	-
418,711	418,711	258,873	54,917	-	-	-	-
56,337	56,337	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(866,671)	(867,212)	(2,671,932)	(2,460,819)	-	-	-	-
194,647	236,011	4,586,814	2,033,134	-	-	-	-
194,647	236,011	4,829,263	2,238,599	-	-	-	-
1,011,732	976,211	5,335,348	2,827,259	68,590	77,990	787,094	513,456

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CITY OF MANKATO, MINNESOTA
 COMBINING STATEMENTS OF NET ASSETS - CONTINUED
 NONMAJOR PROPRIETARY FUNDS
 DECEMBER 31, 2007 AND 2006

	Business-type Activities - Enterprise Funds			
	705			
	Economic Development		Totals	
	2007	2006	2007	2006
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 69,358	\$ 85,298	\$ 1,056,438	\$ 638,643
Investments	3,400,000	3,000,000	5,200,000	4,900,000
Investments - Industrial Park	736,900	736,900	736,900	736,900
Receivables				
Delinquent taxes	-	-	190	201
Accounts	134,702	78,969	196,973	144,674
Loans - current portion	-	13,163	-	13,163
Intergovernmental	-	-	158,632	176,219
Prepaid items	1,773	1,265	7,521	13,170
TOTAL CURRENT ASSETS	4,342,733	3,915,595	7,356,654	6,622,970
NONCURRENT ASSETS				
Loans receivable - net of current portion	1,064,853	278,599	1,088,183	301,929
Special assessments receivable - deferred	-	-	219,119	182,135
Capital assets				
Land	728,797	728,797	1,642,069	1,642,069
Land improvements	473,410	473,410	547,257	547,257
Buildings and structures	5,460,575	5,460,575	12,273,873	9,578,893
Machinery and vehicles	-	-	779,735	548,779
Office equipment	5,100	5,100	61,437	61,437
Other improvements	-	-	72,982	72,982
Less accumulated depreciation	(4,944,030)	(4,788,429)	(8,538,947)	(8,154,629)
TOTAL CAPITAL ASSETS	1,723,852	1,879,453	6,838,406	4,296,788
TOTAL NONCURRENT ASSETS	2,788,705	2,158,052	8,145,708	4,780,852
TOTAL ASSETS	7,131,438	6,073,647	15,502,362	11,403,822

CITY OF MANKATO, MINNESOTA
 COMBINING STATEMENTS OF NET ASSETS - CONTINUED
 NONMAJOR PROPRIETARY FUNDS
 DECEMBER 31, 2007 AND 2006

	Business-type Activities - Enterprise Funds			
	605		606	
	Eastwood Park		Storm Water Utility	
	2007	2006	2007	2006
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 63,522	\$ 444
Wages payable	-	-	4,417	3,267
Compensated absences payable	-	-	2,599	2,192
Deposits payable	-	-	-	-
Deferred revenue	6,000	6,000	-	-
TOTAL CURRENT LIABILITIES	6,000	6,000	70,538	5,903
LONG-TERM LIABILITIES				
Compensated absences payable	-	-	-	1,098
Loans payable - net of current portion	-	-	-	-
TOTAL LONG-TERM LIABILITIES	-	-	-	1,098
TOTAL LIABILITIES	6,000	6,000	70,538	7,001
NET ASSETS				
Capital assets, net of related debt	104,356	104,356	228,737	43,834
Unrestricted	26,992	26,352	731,537	747,716
TOTAL NET ASSETS	\$ 131,348	\$ 130,708	\$ 960,274	\$ 791,550

Business-type Activities - Enterprise Funds

610		611		626		627	
Mass Transit		Parking System		Riverfront 2000 Major Improvements		Riverfront 2000 Events and Marketing	
2007	2006	2007	2006	2007	2006	2007	2006
\$ (2,658)	\$ 1,443	\$ 6,216	\$ 78	\$ -	\$ -	\$ -	\$ -
21,388	19,817	1,684	1,699	-	-	-	-
24,630	20,535	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	2,100	-	-	-	-	-	-
43,360	43,895	7,900	1,777	-	-	-	-
60,553	58,508	-	-	-	-	-	-
-	-	-	-	-	-	-	-
60,553	58,508	-	-	-	-	-	-
103,913	102,403	7,900	1,777	-	-	-	-
194,647	236,011	4,586,814	2,033,134	-	-	-	-
713,172	637,797	740,634	792,348	68,590	77,990	787,094	513,456
\$ 907,819	\$ 873,808	\$ 5,327,448	\$ 2,825,482	\$ 68,590	\$ 77,990	\$ 787,094	\$ 513,456

CITY OF MANKATO, MINNESOTA
 COMBINING STATEMENTS OF NET ASSETS - CONTINUED
 NONMAJOR PROPRIETARY FUNDS
 DECEMBER 31, 2007 AND 2006

Business-type Activities - Enterprise Funds				
705				
	Economic Development		Totals	
	2007	2006	2007	2006
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 40,076	\$ 820	\$ 107,156	\$ 2,785
Wages payable	3,054	2,558	30,543	27,341
Compensated absences payable	1,743	793	28,972	23,520
Deposits payable	24,675	24,675	24,675	24,675
Deferred revenue	-	-	6,000	8,100
TOTAL CURRENT LIABILITIES	69,548	28,846	197,346	86,421
LONG-TERM LIABILITIES				
Compensated absences payable	126	421	60,679	60,027
Loans payable - net of current portion	156,867	156,867	156,867	156,867
TOTAL LONG-TERM LIABILITIES	156,993	157,288	217,546	216,894
TOTAL LIABILITIES	226,541	186,134	414,892	303,315
NET ASSETS				
Capital assets, net of related debt	1,723,852	1,879,453	6,838,406	4,296,788
Unrestricted	5,181,045	4,008,060	8,249,064	6,803,719
TOTAL NET ASSETS	\$ 6,904,897	\$ 5,887,513	\$ 15,087,470	\$ 11,100,507

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CITY OF MANKATO, MINNESOTA
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
CONTINUED ON THE FOLLOWING PAGES
NONMAJOR PROPRIETARY FUNDS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	Business-type Activities - Enterprise Funds			
	605		606	
	Eastwood Park		Storm Water Utility	
	2007	2006	2007	2006
OPERATING REVENUES				
Charges for services	\$ -	\$ -	\$ 1,136,130	\$ 1,296,701
OPERATING EXPENSES				
Salaries and benefits	-	-	156,722	150,636
Supplies	-	-	110,785	59,795
Other services and charges	13	275,048	117,180	330,591
Vehicle operation	-	-	100,060	83,798
Insurance	-	-	-	1,689
Utilities	-	-	28,793	28,269
Depreciation	-	-	18,145	11,420
TOTAL OPERATING EXPENSES	13	275,048	531,685	666,198
OPERATING INCOME (LOSS)	(13)	(275,048)	604,445	630,503
NONOPERATING REVENUES				
Taxes	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental				
Federal	-	-	-	-
State	-	-	-	-
Local	-	-	-	-
Investment income	653	2,708	39,905	17,638
Miscellaneous income	-	-	1,350	495
Gain (loss) on sale of assets	-	27,303	-	-
TOTAL NONOPERATING REVENUES	653	30,011	41,255	18,133
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	640	(245,037)	645,700	648,636
CAPITAL CONTRIBUTIONS FROM OTHER FUNDS	-	-	-	-
TRANSFERS IN	-	-	-	-
TRANSFERS OUT	-	(275,000)	(476,976)	(279,114)
CHANGE IN NET ASSETS	640	(520,037)	168,724	369,522
NET ASSETS, JANUARY 1	130,708	650,745	791,550	422,028
NET ASSETS, DECEMBER 31	<u>\$ 131,348</u>	<u>\$ 130,708</u>	<u>\$ 960,274</u>	<u>\$ 791,550</u>

Business-type Activities - Enterprise Funds

610		611		626		627	
Mass Transit		Parking System		Riverfront 2000 Major Improvements		Riverfront 2000 Events and Marketing	
2007	2006	2007	2006	2007	2006	2007	2006
\$ 404,359	\$ 372,716	\$ 163,488	\$ 130,698	\$ -	\$ -	\$ -	\$ -
769,692	739,290	43,532	51,104	-	-	-	-
3,907	10,454	7,422	18,734	-	-	-	-
145,675	124,638	350,129	221,927	-	-	-	-
495,595	501,258	-	-	-	-	-	-
59,156	69,201	9,071	9,112	-	-	-	-
18,008	18,779	61,861	52,615	-	-	-	-
37,379	47,167	211,113	115,588	-	-	-	-
1,529,412	1,510,787	683,128	469,080	-	-	-	-
(1,125,053)	(1,138,071)	(519,640)	(338,382)	-	-	-	-
187,562	187,563	-	-	-	-	-	-
-	-	219,119	176,005	-	-	-	-
315,367	197,910	-	-	-	-	-	-
592,633	678,250	-	-	-	-	-	-
24,600	1,594	-	-	-	-	-	-
19,621	20,053	17,644	54,704	11,560	23,411	23,638	11,695
10,766	1,752	1,627	541	-	-	-	-
(3,985)	-	-	-	-	-	-	-
1,146,564	1,087,122	238,390	231,250	11,560	23,411	23,638	11,695
21,511	(50,949)	(281,250)	(107,132)	11,560	23,411	23,638	11,695
-	-	2,733,216	-	-	-	-	-
12,500	12,500	100,000	100,000	650,000	650,000	250,000	250,000
-	-	(50,000)	(1,844,815)	(670,960)	(1,250,000)	-	-
34,011	(38,449)	2,501,966	(1,851,947)	(9,400)	(576,589)	273,638	261,695
873,808	912,257	2,825,482	4,677,429	77,990	654,579	513,456	251,761
\$ 907,819	\$ 873,808	\$ 5,327,448	\$ 2,825,482	\$ 68,590	\$ 77,990	\$ 787,094	\$ 513,456

CITY OF MANKATO, MINNESOTA
 COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - CONTINUED
 NONMAJOR PROPRIETARY FUNDS
 YEARS ENDED DECEMBER 31, 2007 AND 2006

	Business-type Activities - Enterprise Funds			
	705			
	Economic Development		Totals	
	2007	2006	2007	2006
OPERATING REVENUES				
Charges for services	\$ 823,960	\$ 1,026,969	\$ 2,527,937	\$ 2,827,084
OPERATING EXPENSES				
Salaries and benefits	103,170	82,808	1,073,116	1,023,838
Supplies	120	149	122,234	89,132
Other services and charges	599,800	667,142	1,212,797	1,619,346
Vehicle operation	-	-	595,655	585,056
Insurance	19,516	23,014	87,743	103,016
Utilities	3,759	3,429	112,421	103,092
Depreciation	155,601	155,601	422,238	329,776
TOTAL OPERATING EXPENSES	881,966	932,143	3,626,204	3,853,256
OPERATING INCOME (LOSS)	(58,006)	94,826	(1,098,267)	(1,026,172)
NONOPERATING REVENUES				
Taxes	121,105	112,154	308,667	299,717
Special assessments	-	-	219,119	176,005
Intergovernmental				
Federal	-	-	315,367	197,910
State	3,676	47,334	596,309	725,584
Local	-	-	24,600	1,594
Investment income	118,107	123,462	231,128	253,671
Miscellaneous income	6,450	7,926	20,193	10,714
Gain on sale of assets	107,100	120,825	103,115	148,128
TOTAL NONOPERATING REVENUES	356,438	411,701	1,818,498	1,813,323
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	298,432	506,527	720,231	787,151
CAPITAL CONTRIBUTIONS FROM OTHER FUNDS	-	-	2,733,216	-
TRANSFERS IN	750,179	887,852	1,762,679	1,900,352
TRANSFERS OUT	(31,227)	(2,658,100)	(1,229,163)	(6,307,029)
CHANGE IN NET ASSETS	1,017,384	(1,263,721)	3,986,963	(3,619,526)
NET ASSETS, JANUARY 1	5,887,513	7,151,234	11,100,507	14,720,033
NET ASSETS, DECEMBER 31	\$ 6,904,897	\$ 5,887,513	\$ 15,087,470	\$ 11,100,507

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CITY OF MANKATO, MINNESOTA
 COMBINING STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
 NONMAJOR PROPRIETARY FUNDS
 YEARS ENDED DECEMBER 31, 2007 AND 2006

	Business-type Activities - Enterprise Funds			
	605		606	
	Eastwood Park		Storm Water Utility	
	2007	2006	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ -	\$ -	\$ 1,140,436	\$ 1,302,598
Other cash receipts	-	-	1,350	495
Payments to suppliers	-	(275,000)	(157,874)	(390,635)
Payments to and on behalf of employees	-	-	(145,081)	(141,304)
Payments for interfund services provided	(13)	(48)	(147,147)	(125,952)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(13)	(275,048)	691,684	645,202
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	(275,000)	(476,976)	(279,114)
Increase (decrease) in due to other funds	-	-	-	(20,960)
Tax receipts	-	-	-	-
Intergovernmental operating grants received	-	-	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	(275,000)	(476,976)	(300,074)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisitions of capital assets	-	-	(203,048)	-
Proceeds from sale of capital assets	-	110,000	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	110,000	(203,048)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Payment received on loans	-	-	-	-
Loans issued	-	-	-	-
Interest received on investments	653	2,708	39,905	17,638
Sale of investments	-	200,000	(200,000)	(200,000)
Purchase of investments	-	-	-	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	653	202,708	(160,095)	(182,362)

Business-type Activities - Enterprise Funds

610		611		626		627	
Mass Transit		Parking System		Riverfront 2000 Major Improvements		Riverfront 2000 Events and Marketing	
2007	2006	2007	2006	2007	2006	2007	2006
\$ 401,344	\$ 373,278	\$ 163,531	\$ 130,638	\$ -	\$ -	\$ -	\$ -
10,766	1,752	183,762	166,105	-	-	-	-
(114,580)	(147,244)	(384,208)	(277,634)	-	-	-	-
(694,997)	(666,880)	(43,547)	(50,283)	-	-	-	-
(673,023)	(654,948)	(37,704)	(36,737)	-	-	-	-
(1,070,490)	(1,094,042)	(118,166)	(67,911)	-	-	-	-
12,500	12,500	100,000	100,000	650,000	650,000	250,000	250,000
-	-	(50,000)	(1,844,815)	(670,960)	(1,250,000)	-	-
-	-	-	-	-	-	-	-
187,573	187,766	-	-	-	-	-	-
950,187	874,478	-	-	-	-	-	-
1,150,260	1,074,744	50,000	(1,744,815)	(20,960)	(600,000)	250,000	250,000
-	-	(31,577)	(11,150)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(31,577)	(11,150)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
19,621	20,053	17,644	54,704	11,560	23,411	23,638	11,695
500,000	-	-	-	-	-	-	-
-	-	100,000	1,800,000	-	600,000	(300,000)	(200,000)
519,621	20,053	117,644	1,854,704	11,560	623,411	(276,362)	(188,305)

CITY OF MANKATO, MINNESOTA
 COMBINING STATEMENTS OF CASH FLOWS - CONTINUED
 NONMAJOR PROPRIETARY FUNDS
 YEARS ENDED DECEMBER 31, 2007 AND 2006

	Business-type Activities - Enterprise Funds			
	705			
	Economic Development		Totals	
	2007	2006	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 768,227	\$ 1,045,642	\$ 2,473,538	\$ 2,852,156
Other cash receipts	6,450	7,926	202,328	176,278
Payments to suppliers	(517,040)	(658,605)	(1,173,702)	(1,749,118)
Payments to and on behalf of employees	(90,849)	(70,717)	(974,474)	(929,184)
Payments for interfund services provided	(78,577)	(73,743)	(936,464)	(891,428)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	88,211	250,503	(408,774)	(541,296)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	750,179	887,852	1,762,679	1,900,352
Transfers to other funds	(31,227)	(2,658,100)	(1,229,163)	(6,307,029)
Increase (decrease) in due to other funds	-	-	-	(20,960)
Tax receipts	121,105	112,154	308,678	299,920
Intergovernmental operating grants received	3,676	57,634	953,863	932,112
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	843,733	(1,600,460)	1,796,057	(3,195,605)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisitions of capital assets	-	(279,566)	(234,625)	(290,716)
Proceeds from sale of capital assets	107,100	194,686	107,100	304,686
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	107,100	(84,880)	(127,525)	13,970
CASH FLOWS FROM INVESTING ACTIVITIES				
Payment received on loans	40,121	6,328	40,121	6,328
Loans issued	(813,212)	(202,606)	(813,212)	(202,606)
Interest received on investments	118,107	123,462	231,128	253,671
Sale of investments	(400,000)	1,500,000	(100,000)	1,500,000
Purchase of investments	-	-	(200,000)	2,200,000
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,054,984)	1,427,184	(841,963)	3,757,393

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CITY OF MANKATO, MINNESOTA
 COMBINING STATEMENTS OF CASH FLOWS - CONTINUED
 NONMAJOR PROPRIETARY FUNDS
 YEARS ENDED DECEMBER 31, 2007 AND 2006

	Business-type Activities - Enterprise Funds			
	605		606	
	Eastwood Park		Storm Water Utility	
	2007	2006	2007	2006
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 640	\$ (237,340)	\$ (148,435)	\$ 162,766
CASH AND CASH EQUIVALENTS, JANUARY 1	32,352	269,692	192,145	29,379
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 32,992</u>	<u>\$ 32,352</u>	<u>\$ 43,710</u>	<u>\$ 192,145</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (13)	\$ (275,048)	\$ 604,445	\$ 630,503
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Other income (expense) related to operations	-	-	1,350	495
Depreciation	-	-	18,145	11,420
(Increase) decrease in assets:				
Accounts receivable	-	-	4,306	5,897
Prepaid items	-	-	(99)	-
Increase (decrease) in liabilities:				
Accounts payable	-	-	63,078	(2,017)
Wages payable	-	-	1,150	(2,053)
Compensated absences payable	-	-	(691)	957
Deposits payable	-	-	-	-
Deferred revenue	-	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (13)</u>	<u>\$ (275,048)</u>	<u>\$ 691,684</u>	<u>\$ 645,202</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Book value of disposed capital assets	\$ -	\$ 82,697	\$ -	\$ -
Capital assets contributed by other funds	-	-	-	-

Business-type Activities - Enterprise Funds

610		611		626		627	
Mass Transit		Parking System		Riverfront 2000 Major Improvements		Riverfront 2000 Events and Marketing	
2007	2006	2007	2006	2007	2006	2007	2006
\$ 599,391	\$ 755	\$ 17,901	\$ 30,828	\$ (9,400)	\$ 23,411	\$ (26,362)	\$ 61,695
50,678	49,923	86,724	55,896	77,990	54,579	113,456	51,761
<u>\$ 650,069</u>	<u>\$ 50,678</u>	<u>\$ 104,625</u>	<u>\$ 86,724</u>	<u>\$ 68,590</u>	<u>\$ 77,990</u>	<u>\$ 87,094</u>	<u>\$ 113,456</u>
\$ (1,125,053)	\$ (1,138,071)	\$ (519,640)	\$ (338,382)	\$ -	\$ -	\$ -	\$ -
10,766	1,752	183,762	166,105	-	-	-	-
37,379	47,167	211,113	115,588	-	-	-	-
(915)	(1,538)	43	(60)	-	-	-	-
5,823	(10,479)	433	(1,426)	-	-	-	-
(4,101)	(4,923)	6,138	(10,557)	-	-	-	-
1,571	2,508	(15)	821	-	-	-	-
6,140	7,442	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(2,100)	2,100	-	-	-	-	-	-
<u>\$ (1,070,490)</u>	<u>\$ (1,094,042)</u>	<u>\$ (118,166)</u>	<u>\$ (67,911)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,985	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	2,733,216	-	-	-	-	-

CITY OF MANKATO, MINNESOTA
 COMBINING STATEMENTS OF CASH FLOWS - CONTINUED
 NONMAJOR PROPRIETARY FUNDS
 YEARS ENDED DECEMBER 31, 2007 AND 2006

	Business-type Activities - Enterprise Funds			
	705			
	Economic Development		Totals	
	2007	2006	2007	2006
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (15,940)	\$ (7,653)	\$ 417,795	\$ 34,462
CASH AND CASH EQUIVALENTS, JANUARY 1	85,298	92,951	638,643	604,181
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 69,358</u>	<u>\$ 85,298</u>	<u>\$ 1,056,438</u>	<u>\$ 638,643</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (58,006)	\$ 94,826	\$ (1,098,267)	\$ (1,026,172)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Other income (expense) related to operations	6,450	7,926	202,328	176,278
Depreciation	155,601	155,601	422,238	329,776
(Increase) decrease in assets:				
Accounts receivable	(55,733)	20,673	(52,299)	24,972
Prepaid items	(508)	(1,265)	5,649	(13,170)
Increase (decrease) in liabilities:				
Accounts payable	39,256	(26,933)	104,371	(44,430)
Wages payable	496	(262)	3,202	1,014
Compensated absences payable	655	1,937	6,104	10,336
Deposits payable	-	(2,000)	-	(2,000)
Deferred revenue	-	-	(2,100)	2,100
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 88,211</u>	<u>\$ 250,503</u>	<u>\$ (408,774)</u>	<u>\$ (541,296)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Book value of disposed capital assets	\$ -	\$ -	\$ 3,985	\$ 82,697
Capital assets contributed by other funds	-	-	2,733,216	-

THE GENERAL FUND

The General fund accounts for all revenues and expenditures of a governmental unit which are not accounted for in other funds, and it is usually the largest and most important accounting activity for state and local governments. It normally receives a greater variety and number of taxes and other general revenues than any other fund. This fund has flowing into it such revenues as general property taxes, licenses and permits, fines and penalties, rents and charges for current services, state-shared taxes, and interest earnings. The fund's resources also finance a wider range of activities than any other fund. Most of the current operations of governmental units will be financed from this fund.

CITY OF MANKATO, MINNESOTA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 185,347	\$ 214,967
Investments	8,768,582	3,263,550
Receivables		
Interest	335,276	304,278
Delinquent taxes	248,046	189,565
Accounts	128,402	88,244
Due from other funds	467,000	6,000,000
Due from other governments	258,422	359,874
Prepaid items	23,603	7,533
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 10,414,678</u>	<u>\$ 10,428,011</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 144,365	\$ 182,397
Due to other governments	460,392	677,459
Wages payable	404,715	377,140
Deferred revenue	248,046	189,565
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>1,257,518</u>	<u>1,426,561</u>
FUND BALANCES		
Reserved for prepaid items	23,603	7,533
Unreserved		
Designated for:		
Tax adjustment	500,000	320,000
Emergencies	2,075,000	1,895,000
Cash flow	6,000,000	5,700,000
Undesignated	558,557	1,078,917
	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>9,157,160</u>	<u>9,001,450</u>
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,414,678</u>	<u>\$ 10,428,011</u>

CITY OF MANKATO, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED ON FOLLOWING PAGES
YEAR ENDED DECEMBER 31, 2007
With Comparative Actual Amounts for Year Ended December 31, 2006

	2007				2006
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
General	\$ 7,431,664	\$ 7,431,664	\$ 6,628,611	\$ (803,053)	\$ 5,800,640
Police relief	-	-	1	1	4
Fire relief	-	-	4	4	9
Lodging	300,000	300,000	340,817	40,817	318,579
Gambling	70,000	70,000	52,422	(17,578)	56,504
Franchise fees	180,000	180,000	216,211	36,211	203,456
Total taxes	7,981,664	7,981,664	7,238,066	(743,598)	6,379,192
Licenses and permits	1,127,201	1,127,201	1,299,885	172,684	1,466,298
Intergovernmental					
Federal					
Other	7,800	7,800	8,362	562	4,407
State					
Local governmental aid	7,805,433	7,805,433	7,805,433	-	7,978,622
Property tax credits and aids	-	-	477,349	477,349	470,398
PERA aid	39,823	39,823	39,823	-	39,823
Police and fire pension	134,439	134,439	53,956	(80,483)	116,957
Police and fire insurance premiums	415,000	415,000	455,633	40,633	420,317
Other	77,050	77,050	137,799	60,749	103,535
Total State	8,471,745	8,471,745	8,969,993	498,248	9,129,652
Local					
Other	377,000	377,000	642,777	265,777	259,063
Total intergovernmental	8,856,545	8,856,545	9,621,132	764,587	9,393,122
Charges for services					
General government	15,850	15,850	18,523	2,673	25,311
Public safety	119,850	119,850	156,642	36,792	139,533
Public works	941,700	941,700	1,184,651	242,951	1,115,152
Culture and recreation	93,615	93,615	110,009	16,394	126,835
Total charges for services	1,171,015	1,171,015	1,469,825	298,810	1,406,831
Fines and forfeits	328,000	328,000	310,408	(17,592)	357,673
Investment income	100,000	100,000	250,339	150,339	208,820
Miscellaneous					
Rents	9,100	9,100	11,075	1,975	9,500
Contributions	13,399	13,399	16,216	2,817	21,506
Refunds and reimbursements	302,467	302,467	236,361	(66,106)	246,478
Other	40,200	40,200	73,625	33,425	90,973
Total miscellaneous	365,166	365,166	337,277	(27,889)	368,457
TOTAL REVENUES	19,929,591	19,929,591	20,526,932	597,341	19,580,393

CITY OF MANKATO, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
YEAR ENDED DECEMBER 31, 2007
With Comparative Actual Amounts for Year Ended December 31, 2006

	2007				2006
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)	Actual Amounts
	Original	Final	Actual Amounts		
EXPENDITURES					
Current					
General government					
Grants					
Other services and charges	\$ 1,339,039	\$ 1,339,039	\$ 1,298,051	\$ 40,988	\$ 1,259,016
Total grants	1,339,039	1,339,039	1,298,051	40,988	1,259,016
Legal					
Personal services	238,456	238,456	242,920	(4,464)	233,651
Supplies	2,500	2,500	2,373	127	95
Other services and charges	35,000	35,000	44,833	(9,833)	42,345
Total legal	275,956	275,956	290,126	(14,170)	276,091
Total general government	1,614,995	1,614,995	1,588,177	26,818	1,535,107
Public safety					
Police					
Personal services	4,465,602	4,465,602	4,469,056	(3,454)	4,298,448
Supplies	69,500	69,500	68,464	1,036	70,296
Other services and charges	299,874	299,874	297,727	2,147	306,298
Vehicle charges	500,530	500,530	521,887	(21,357)	470,536
Total police	5,335,506	5,335,506	5,357,134	(21,628)	5,145,578
Administration					
Personal services	183,748	183,748	275,905	(92,157)	245,506
Supplies	10,430	10,430	15,689	(5,259)	9,615
Other services and charges	1,228,860	1,228,860	1,664,597	(435,737)	1,138,424
Vehicle charges	-	-	22,633	(22,633)	26,104
Total administration	1,423,038	1,423,038	1,978,824	(555,786)	1,419,649
Fire					
Personal services	1,869,008	1,869,008	1,697,546	171,462	1,678,152
Supplies	136,575	136,575	225,308	(88,733)	138,174
Other services and charges	337,032	337,032	316,832	20,200	320,920
Vehicle charges	180,074	180,074	240,081	(60,007)	226,609
Total fire	2,522,689	2,522,689	2,479,767	42,922	2,363,855
Total public safety	9,281,233	9,281,233	9,815,725	(534,492)	8,929,082
Public works					
Engineering					
Personal services	1,053,072	1,053,072	1,032,019	21,053	1,015,357
Supplies	16,300	16,300	19,663	(3,363)	21,637
Other services and charges	173,500	173,500	255,221	(81,721)	275,285
Vehicle charges	65,574	65,574	61,162	4,412	59,456
Total engineering	1,308,446	1,308,446	1,368,065	(59,619)	1,371,735

CITY OF MANKATO, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
YEAR ENDED DECEMBER 31, 2007
With Comparative Actual Amounts for Year Ended December 31, 2006

	2007				2006
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)	Actual Amounts
	Original	Final	Actual Amounts		
EXPENDITURES - CONTINUED					
Current - Continued					
Public works - Continued					
Streets					
Personal services	\$ 1,228,472	\$ 1,228,472	\$ 1,276,270	\$ (47,798)	\$ 1,098,079
Supplies	297,675	297,675	414,523	(116,848)	527,484
Other services and charges	911,850	911,850	901,766	10,084	1,274,970
Vehicle charges	1,100,252	1,100,252	1,093,516	6,736	987,749
Total streets	3,538,249	3,538,249	3,686,075	(147,826)	3,888,282
Total public works	4,846,695	4,846,695	5,054,140	(207,445)	5,260,017
Culture and recreation					
Parks					
Personal services	1,331,548	1,331,548	1,373,106	(41,558)	1,340,118
Supplies	183,050	183,050	169,737	13,313	194,598
Other services and charges	632,365	632,365	701,475	(69,110)	713,240
Vehicle charges	458,105	458,105	395,807	62,298	406,353
Total culture and recreation	2,605,068	2,605,068	2,640,125	(35,057)	2,654,309
Community development					
Personal services	771,390	771,390	789,871	(18,481)	727,068
Supplies	8,100	8,100	5,083	3,017	7,248
Other services and charges	193,260	193,260	239,448	(46,188)	291,027
Vehicle charges	19,490	19,490	35,056	(15,566)	32,028
Total community development	992,240	992,240	1,069,458	(77,218)	1,057,371
Total current	19,340,231	19,340,231	20,167,625	(827,394)	19,435,886
Capital outlay					
Public safety	58,100	58,100	208,539	(150,439)	86,588
Public works	56,825	56,825	81,044	(24,219)	74,636
Culture and recreation	122,000	122,000	111,524	10,476	149,522
Community development	5,000	5,000	-	5,000	341
Total capital outlay	241,925	241,925	401,107	(159,182)	311,087
TOTAL EXPENDITURES	19,582,156	19,582,156	20,568,732	(986,576)	19,746,973

CITY OF MANKATO, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
YEAR ENDED DECEMBER 31, 2007
With Comparative Actual Amounts for Year Ended December 31, 2006

	2007			2006
	Budgeted Amounts		Variance with Final Budget - Positive (Negative)	Actual Amounts
	Original	Final	Actual Amounts	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 347,435	\$ 347,435	\$ (41,800)	\$ (166,580)
OTHER FINANCING SOURCES (USES)				
Transfers in	313,500	313,500	1,043,561	1,510,126
Transfers out	(660,438)	(660,438)	(846,051)	(744,144)
TOTAL OTHER FINANCING SOURCES (USES)	(346,938)	(346,938)	197,510	765,982
NET CHANGE IN FUND BALANCES	497	497	155,710	599,402
FUND BALANCES, JANUARY 1	9,001,450	9,001,450	9,001,450	8,402,048
FUND BALANCES, DECEMBER 31	\$ 9,001,947	\$ 9,001,947	\$ 9,157,160	\$ 9,001,450

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INTERNAL SERVICE FUNDS

Internal service funds are created to account for the financing of goods and services provided by one department of government to other departments on a cost - reimbursement basis.

Central Garage: This fund accounts for the cost of maintaining the City's vehicle fleet. All City vehicles are assigned to this fund and users are charged a mileage rate.

Central Services: This fund accounts for the cost of providing Administrative Services to the other activities of the City. Administrative Services provided include Accounting, Data Processing, Payroll, Personnel, Purchasing, Accounts Payable, and Graphics. Other City activities are billed based on usage for the services provided.

Equipment Replacement: The purpose of this fund is to provide the resources necessary to replace the City's major items of equipment when necessary. Users are charged a mileage or hourly rate and these charges are transferred into the equipment replacement fund.

Central Housing: This fund accounts for the pay and benefits of the City personnel assigned to the housing function. Charges are billed into the fund at actual and are billed out to the housing funds based on usage and a standard rate.

Central Insurance: This fund accounts for the costs of the City's Health Insurance Self Insurance Programs. Premiums are paid to the fund by benefiting funds and Health Insurance Claims are paid from the fund.

CITY OF MANKATO, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET ASSETS (LIABILITIES)
DECEMBER 31, 2007 AND 2006

CITY OF MANKATO, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET ASSETS (LIABILITIES)
DECEMBER 31, 2007 AND 2006

	701 Central Garage		702 Central Services	
	2007	2006	2007	2006
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 102,113	\$ 272,342	\$ 266,506	\$ 81,383
Investments	1,300,000	1,000,000	2,400,000	-
Receivables				
Accounts	-	-	50,002	37,221
Due from employees	-	-	74,324	76,520
Intergovernmental	-	-	-	-
Due from other funds	-	-	-	3,000,000
Advances to other funds - current portion	-	-	-	-
Inventories	365,900	336,387	15,456	14,657
Prepaid items	7,031	17,258	92,179	17,024
TOTAL CURRENT ASSETS	1,775,044	1,625,987	2,898,467	3,226,805
NONCURRENT ASSETS				
Loans receivable - net of current portion	-	-	-	9,952
Advances to other funds - net of current portion	-	-	-	-
Capital assets				
Land	-	-	-	-
Buildings and structures	1,238,901	1,238,901	317,202	317,202
Machinery and vehicles	110,140	103,756	327,425	87,746
Office equipment	4,857	4,857	539,873	583,633
Less accumulated depreciation	(1,306,514)	(1,291,252)	(608,504)	(584,233)
Total capital assets, net of accumulated depreciation	47,384	56,262	575,996	404,348
TOTAL NONCURRENT ASSETS	47,384	56,262	575,996	414,300
TOTAL ASSETS	1,822,428	1,682,249	3,474,463	3,641,105
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	21,684	18,656	347,911	363,381
Wages payable	22,732	24,058	69,046	61,167
Compensated absences payable	49,529	48,636	127,518	120,846
Deposits payable	-	-	573,134	420,062
Deferred revenue	-	-	-	-
TOTAL CURRENT LIABILITIES	93,945	91,350	1,117,609	965,456
NONCURRENT LIABILITIES				
Compensated absences payable	75,012	67,338	74,884	52,171
TOTAL LIABILITIES	168,957	158,688	1,192,493	1,017,627
NET ASSETS				
Invested in capital assets	47,384	56,262	575,996	404,348
Unrestricted	1,606,087	1,467,299	1,705,974	2,219,130
TOTAL NET ASSETS	\$ 1,653,471	\$ 1,523,561	\$ 2,281,970	\$ 2,623,478

703		704		706		Totals	
Equipment Replacement		Central Housing		Central Insurance			
2007	2006	2007	2006	2007	2006	2007	2006
\$ 231,386	\$ 64,803	\$ 88,615	\$ 88,684	\$ 596,765	\$ 756,862	\$ 1,285,385	\$ 1,264,074
4,500,000	7,350,000	-	-	-	-	8,200,000	8,350,000
-	1,941	2,119	2,249	-	421	52,121	41,832
-	-	-	-	-	-	74,324	76,520
285,218	-	35,015	23,795	-	-	320,233	23,795
5,500,000	2,000,000	-	-	-	-	5,500,000	5,000,000
244,668	230,819	-	-	-	-	244,668	230,819
-	-	-	-	-	-	381,356	351,044
-	-	1,373	-	-	-	100,583	34,282
10,761,272	9,647,563	127,122	114,728	596,765	757,283	16,158,670	15,372,366
-	-	-	-	-	-	-	9,952
825,663	1,070,331	-	-	-	-	825,663	1,070,331
197,223	197,223	-	-	-	-	197,223	197,223
-	-	-	-	-	-	1,556,103	1,556,103
13,431,554	12,553,679	-	-	-	-	13,869,119	12,745,181
-	-	-	-	-	-	544,730	588,490
(8,476,157)	(7,880,387)	-	-	-	-	(10,391,175)	(9,755,872)
5,152,620	4,870,515	-	-	-	-	5,776,000	5,331,125
5,978,283	5,940,846	-	-	-	-	6,601,663	6,411,408
16,739,555	15,588,409	127,122	114,728	596,765	757,283	22,760,333	21,783,774
-	2,796	-	-	325,928	572,184	695,523	957,017
-	-	21,566	18,691	-	-	113,344	103,916
-	-	44,351	38,987	-	-	221,398	208,469
-	-	-	-	-	-	573,134	420,062
-	-	-	-	1,270	1,054	1,270	1,054
-	2,796	65,917	57,678	327,198	573,238	1,604,669	1,690,518
-	-	28,268	29,211	-	-	178,164	148,720
-	2,796	94,185	86,889	327,198	573,238	1,782,833	1,839,238
5,152,620	4,870,515	-	-	-	-	5,776,000	5,331,125
11,586,935	10,715,098	32,937	27,839	269,567	184,045	15,201,500	14,613,411
\$ 16,739,555	\$ 15,585,613	\$ 32,937	\$ 27,839	\$ 269,567	\$ 184,045	\$ 20,977,500	\$ 19,944,536

CITY OF MANKATO, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	701		702	
	Central Garage		Central Services	
	2007	2006	2007	2006
OPERATING REVENUES				
Billings to departments	\$ 2,435,966	\$ 2,239,308	\$ 4,133,945	\$ 3,992,109
OPERATING EXPENSES				
Salaries and benefits	703,655	641,234	2,218,374	2,050,599
Supplies	1,215,230	1,017,764	280,805	355,243
Other services and charges	201,713	200,392	918,951	1,000,508
Vehicle operation	91,262	105,157	4,253	2,356
Insurance	81,649	56,713	163,392	187,110
Utilities	34,536	34,185	79,298	74,470
Depreciation	22,322	57,143	142,018	112,976
TOTAL OPERATING EXPENSES	2,350,367	2,112,588	3,807,091	3,783,262
OPERATING INCOME (LOSS)	85,599	126,720	326,854	208,847
NONOPERATING REVENUES (EXPENSES)				
Licenses and permits	-	-	29,522	28,908
Intergovernmental	-	-	-	-
Fines and forfeits	-	-	8,935	8,500
Investment income	42,138	29,415	110,007	86,922
Miscellaneous income	2,173	2,611	53,905	7,382
Gain (loss) on sale of assets	-	-	(5,880)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	44,311	32,026	196,489	131,712
INCOME (LOSS) BEFORE TRANSFERS	129,910	158,746	523,343	340,559
TRANSFERS				
Transfers in	-	-	-	-
Transfers out	-	-	(864,851)	(485,530)
TOTAL TRANSFERS	-	-	(864,851)	(485,530)
CHANGE IN NET ASSETS	129,910	158,746	(341,508)	(144,971)
NET ASSETS, JANUARY 1	1,523,561	1,364,815	2,623,478	2,768,449
NET ASSETS, DECEMBER 31	\$ 1,653,471	\$ 1,523,561	\$ 2,281,970	\$ 2,623,478

703		704		706		Totals	
Equipment Replacement		Central Housing		Central Insurance			
2007	2006	2007	2006	2007	2006	2007	2006
\$ 1,342,465	\$ 1,190,541	\$ 710,367	\$ 715,794	\$ 3,559,120	\$ 3,052,456	\$ 12,181,863	\$ 11,190,208
-	-	712,208	694,890	-	-	3,634,237	3,386,723
-	-	-	-	-	-	1,496,035	1,373,007
81,854	77,654	-	-	3,491,525	3,139,753	4,694,043	4,418,307
-	-	32,227	31,259	-	-	127,742	138,772
-	-	-	-	-	-	245,041	243,823
-	-	-	-	-	-	113,834	108,655
846,691	897,443	-	-	-	-	1,011,031	1,067,562
928,545	975,097	744,435	726,149	3,491,525	3,139,753	11,321,963	10,736,849
413,920	215,444	(34,068)	(10,355)	67,595	(87,297)	859,900	453,359
-	-	-	-	-	-	29,522	28,908
285,218	-	-	-	-	-	285,218	-
-	-	-	-	-	-	8,935	8,500
416,354	321,574	2,347	1,424	17,927	17,013	588,773	456,348
-	-	1,968	6,300	-	-	58,046	16,293
38,450	(78,540)	-	-	-	-	32,570	(78,540)
740,022	243,034	4,315	7,724	17,927	17,013	1,003,064	431,509
1,153,942	458,478	(29,753)	(2,631)	85,522	(70,284)	1,862,964	884,868
-	-	34,851	35,530	-	-	34,851	35,530
-	-	-	-	-	-	(864,851)	(485,530)
-	-	34,851	35,530	-	-	(830,000)	(450,000)
1,153,942	458,478	5,098	32,899	85,522	(70,284)	1,032,964	434,868
15,585,613	15,127,135	27,839	(5,060)	184,045	254,329	19,944,536	19,509,668
\$ 16,739,555	\$ 15,585,613	\$ 32,937	\$ 27,839	\$ 269,567	\$ 184,045	\$ 20,977,500	\$ 19,944,536

CITY OF MANKATO, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
YEARS ENDED DECEMBER 31, 2007 AND 2006

	701		702	
	Central Garage		Central Services	
	2007	2006	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services provided	\$ 2,435,966	\$ 2,239,308	\$ 3,392,256	\$ 3,075,133
Receipts from customers and users	-	-	731,104	904,060
Other cash receipts	2,173	2,611	92,362	44,790
Payments to suppliers	(1,411,356)	(1,228,745)	(1,286,626)	(1,193,020)
Payments to and on behalf of employees	(595,848)	(555,520)	(1,901,776)	(1,744,975)
Payments for interfund services provided	(329,858)	(318,828)	(377,759)	(367,220)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	101,077	138,826	649,561	718,768
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	(864,851)	(485,530)
(Increase) decrease in due from other funds	-	-	3,000,000	(1,000,000)
Payment received on advances to other funds	-	-	-	-
Interest received on advances to other funds	-	-	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	-	2,135,149	(1,485,530)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisitions of capital assets	(13,444)	-	(319,546)	(172,770)
Proceeds from capital grant	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(13,444)	-	(319,546)	(172,770)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payment received on loans	-	-	9,952	9,215
Interest received on investments	42,138	29,415	110,007	86,922
Sale of investments	-	-	-	-
Purchase of investments	(300,000)	-	(2,400,000)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(257,862)	29,415	(2,280,041)	96,137
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(170,229)	168,241	185,123	(843,395)
CASH AND CASH EQUIVALENTS, JANUARY 1	272,342	104,101	81,383	924,778
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 102,113	\$ 272,342	\$ 266,506	\$ 81,383

703		704		706		Totals	
Equipment Replacement		Central Housing		Central Insurance			
2007	2006	2007	2006	2007	2006	2007	2006
\$ 1,344,406	\$ 1,188,600	\$ 699,277	\$ 689,750	\$ 2,748,924	\$ 2,542,104	\$ 10,620,829	\$ 9,734,895
-	-	-	-	810,833	510,985	1,541,937	1,415,045
-	-	1,968	6,300	-	-	96,503	53,701
-	-	(1,373)	-	(3,736,629)	(2,901,397)	(6,435,984)	(5,323,162)
-	-	(582,030)	(572,110)	-	-	(3,079,654)	(2,872,605)
(81,854)	(77,654)	(155,109)	(145,835)	(1,152)	(1,615)	(945,732)	(911,152)
1,262,552	1,110,946	(37,267)	(21,895)	(178,024)	150,077	1,797,899	2,096,722
-	-	34,851	35,530	-	-	34,851	35,530
-	-	-	-	-	-	(864,851)	(485,530)
(3,500,000)	(2,000,000)	-	-	-	-	(500,000)	(3,000,000)
230,819	217,754	-	-	-	-	230,819	217,754
-	91,134	-	-	-	-	-	91,134
(3,269,181)	(1,691,112)	34,851	35,530	-	-	(1,099,181)	(3,141,112)
(1,131,592)	(812,517)	-	-	-	-	(1,464,582)	(985,287)
-	354,926	-	-	-	-	-	354,926
38,450	46,032	-	-	-	-	38,450	46,032
(1,093,142)	(411,559)	-	-	-	-	(1,426,132)	(584,329)
-	-	-	-	-	-	9,952	9,215
416,354	230,440	2,347	1,424	17,927	17,013	588,773	365,214
2,850,000	650,000	-	-	-	500,000	2,850,000	1,150,000
-	-	-	-	-	-	(2,700,000)	-
3,266,354	880,440	2,347	1,424	17,927	517,013	748,725	1,524,429
166,583	(111,285)	(69)	15,059	(160,097)	667,090	21,311	(104,290)
64,803	176,088	88,684	73,625	756,862	89,772	1,264,074	1,368,364
\$ 231,386	\$ 64,803	\$ 88,615	\$ 88,684	\$ 596,765	\$ 756,862	\$ 1,285,385	\$ 1,264,074

CITY OF MANKATO, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED DECEMBER 31, 2007 AND 2006

	701		702	
	Central Garage		Central Services	
	2007	2006	2007	2006
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 85,599	\$ 126,720	\$ 326,854	\$ 208,847
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Other income (expense) related to operations	2,173	2,611	92,362	44,790
Depreciation	22,322	57,143	142,018	112,976
(Increase) decrease in assets:				
Accounts receivable	-	-	(12,781)	(1,319)
Due from employees	-	-	2,196	(11,597)
Due from other governments	-	-	-	-
Inventories	(29,513)	(23,604)	(799)	856
Prepaid items	10,227	(17,258)	(75,155)	52,312
Increase (decrease) in liabilities:				
Accounts payable	3,028	1,268	(15,470)	45,411
Wages payable	(1,326)	2,526	7,879	8,450
Compensated absences payable	8,567	(10,580)	29,385	26,274
Deposits payable	-	-	153,072	231,768
Deferred revenue	-	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 101,077</u>	<u>\$ 138,826</u>	<u>\$ 649,561</u>	<u>\$ 718,768</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Book value of disposed of capital assets	\$ -	\$ -	\$ 5,880	\$ -
Capital assets acquired on account	-	-	-	-
Intergovernmental receivable for transit capital grant	-	-	-	-

703		704		706		Totals	
Equipment Replacement		Central Housing		Central Insurance			
2007	2006	2007	2006	2007	2006	2007	2006
\$ 413,920	\$ 215,444	\$ (34,068)	\$ (10,355)	\$ 67,595	\$ (87,297)	\$ 859,900	\$ 453,359
-	-	1,968	6,300	-	-	96,503	53,701
846,691	897,443	-	-	-	-	1,011,031	1,067,562
1,941	(1,941)	130	(2,249)	421	(421)	(10,289)	(5,930)
-	-	-	-	-	-	2,196	(11,597)
-	-	(11,220)	(23,795)	-	-	(11,220)	(23,795)
-	-	-	-	-	-	(30,312)	(22,748)
-	-	(1,373)	-	-	-	(66,301)	35,054
-	-	-	-	(246,256)	236,741	(258,698)	283,420
-	-	2,875	(857)	-	-	9,428	10,119
-	-	4,421	9,061	-	-	42,373	24,755
-	-	-	-	-	-	153,072	231,768
-	-	-	-	216	1,054	216	1,054
<u>\$ 1,262,552</u>	<u>\$ 1,110,946</u>	<u>\$ (37,267)</u>	<u>\$ (21,895)</u>	<u>\$ (178,024)</u>	<u>\$ 150,077</u>	<u>\$ 1,797,899</u>	<u>\$ 2,096,722</u>
\$ -	\$ 124,572	\$ -	\$ -	\$ -	\$ -	\$ 5,880	\$ 124,572
-	2,796	-	-	-	-	-	2,796
-	-	-	-	-	-	-	-

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AGENCY FUNDS

Agency funds account for assets held by the City as an agent for individuals, private organizations, and other governmental units.

Blue Earth County EDA: This fund accounts for the activity of the Blue Earth County EDA. The City acts as the fiscal agent for the EDA.

Minnesota Valley Council of Governments: This fund accounts for the activity of the Council of Governments (COG). The City acts as the fiscal agent for the COG.

CITY OF MANKATO, MINNESOTA
AGENCY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2007
With Comparative Totals for December 31, 2006

CITY OF MANKATO, MINNESOTA
 AGENCY FUNDS
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 DECEMBER 31, 2007
 With Comparative Totals for December 31, 2006

	Blue Earth County EDA	MN Valley Council of Governments	Totals	
			2007	2006
ASSETS				
Cash and cash equivalents	\$ 160,236	\$ 77,349	\$ 237,585	\$ 477,714
Cash held by fiscal agent	11,218,436	-	11,218,436	-
Investments	600,000	-	600,000	366,052
Receivables				
Interest receivable	40,774	-	40,774	13,884
Accounts receivable	3,900	-	3,900	3,361
Intergovernmental	109,434	-	109,434	-
Prepaid items	17,219	20	17,239	-
TOTAL ASSETS	<u><u>\$ 12,149,999</u></u>	<u><u>\$ 77,369</u></u>	<u><u>\$ 12,227,368</u></u>	<u><u>\$ 861,011</u></u>
LIABILITIES				
Accounts payable	\$ 6,903	\$ -	\$ 6,903	\$ 21,467
Due to other governments	11,821,059	70,095	11,891,154	799,638
Salaries payable	-	1,737	1,737	3,176
Compensated absences payable	-	5,537	5,537	1,086
Accrued interest payable	287,266	-	287,266	-
Deposits payable	34,771	-	34,771	35,644
TOTAL LIABILITIES	<u><u>\$ 12,149,999</u></u>	<u><u>\$ 77,369</u></u>	<u><u>\$ 12,227,368</u></u>	<u><u>\$ 861,011</u></u>

CITY OF MANKATO, MINNESOTA
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED DECEMBER 31, 2007

	Balance January 1, 2007	Additions	Deletions	Balance December 31, 2007
<u>Blue Earth County EDA</u>				
ASSETS				
Cash and cash equivalents	\$ 481,794	\$ 1,247,378	\$ 1,568,936	\$ 160,236
Cash held by fiscal agent	-	16,732,496	5,514,060	11,218,436
Investments	300,000	800,000	500,000	600,000
Receivables				
Interest	13,884	40,774	13,884	40,774
Accounts	3,361	167,850	167,311	3,900
Intergovernmental	-	109,434	-	109,434
Prepaid items	-	17,219	-	17,219
TOTAL ASSETS	<u>\$ 799,039</u>	<u>\$ 19,115,151</u>	<u>\$ 7,764,191</u>	<u>\$ 12,149,999</u>
LIABILITIES				
Accounts payable	\$ 21,467	\$ 1,468,784	\$ 1,483,348	\$ 6,903
Due to other governments	741,928	17,642,665	6,563,534	11,821,059
Accrued interest payable	-	287,266	-	287,266
Deposits payable	35,644	15,355	16,228	34,771
TOTAL LIABILITIES	<u>\$ 799,039</u>	<u>\$ 19,414,070</u>	<u>\$ 8,063,110</u>	<u>\$ 12,149,999</u>
<u>MN Valley Council of Governments</u>				
ASSETS				
Cash and cash equivalents	\$ 61,972	\$ 82,199	\$ 66,822	\$ 77,349
Prepaid items	-	20	-	20
TOTAL ASSETS	<u>\$ 61,972</u>	<u>\$ 82,219</u>	<u>\$ 66,822</u>	<u>\$ 77,369</u>
LIABILITIES				
Salaries payable	\$ 3,176	\$ 1,737	\$ 3,176	\$ 1,737
Compensated absences payable	1,086	5,537	1,086	5,537
Due to other governments	57,710	80,814	68,429	70,095
TOTAL LIABILITIES	<u>\$ 61,972</u>	<u>\$ 88,088</u>	<u>\$ 72,691</u>	<u>\$ 77,369</u>
TOTAL - ALL FUNDS				
ASSETS				
Cash and cash equivalents	\$ 543,766	\$ 1,329,577	\$ 1,635,758	\$ 237,585
Cash held by fiscal agent	-	16,732,496	5,514,060	11,218,436
Investments	300,000	800,000	500,000	600,000
Receivables				
Interest	13,884	40,774	13,884	40,774
Accounts	3,361	167,850	167,311	3,900
Intergovernmental	-	109,434	-	109,434
Prepaid items	-	17,239	-	17,239
TOTAL ASSETS	<u>\$ 861,011</u>	<u>\$ 19,197,370</u>	<u>\$ 7,831,013</u>	<u>\$ 12,227,368</u>
LIABILITIES				
Accounts payable	\$ 21,467	\$ 1,468,784	\$ 1,483,348	\$ 6,903
Salaries payable	3,176	1,737	3,176	1,737
Compensated absences payable	1,086	5,537	1,086	5,537
Due to other governments	799,638	17,723,479	6,631,963	11,891,154
Accrued interest payable	-	287,266	-	287,266
Deposits payable	35,644	15,355	16,228	34,771
TOTAL LIABILITIES	<u>\$ 861,011</u>	<u>\$ 19,502,158</u>	<u>\$ 8,135,801</u>	<u>\$ 12,227,368</u>

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CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS

These schedules present only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF MANKATO, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
GOVERNMENTAL FUNDS CAPITAL ASSETS		
Land	\$ 2,468,467	\$ 2,441,139
Land improvements	1,754,528	6,009,509
Buildings and structures	18,298,100	18,290,772
Furniture and equipment	544,014	631,146
Machinery and equipment	3,515,853	3,415,566
Storm sewers, streets, bridges and walks	159,856,464	166,505,721
Construction in progress	<u>29,903,890</u>	<u>29,886,671</u>
 TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	 <u><u>\$ 216,341,316</u></u>	 <u><u>\$ 227,180,524</u></u>
 INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE		
Prior to January 1, 1982	\$ 26,849,500	\$ 33,670,557
Capital Projects Funds		
General obligation bonds	60,426,240	68,261,426
Federal grants	2,976,314	2,976,314
State grants	33,716,101	34,059,420
County grants	3,464,711	3,464,711
General Fund revenue	7,655,324	7,345,080
Special Revenue Fund revenue	1,991,164	1,935,701
Special assessments	<u>79,261,962</u>	<u>75,467,315</u>
 TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	 <u><u>\$ 216,341,316</u></u>	 <u><u>\$ 227,180,524</u></u>

CITY OF MANKATO, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
DECEMBER 31, 2007

Function and Activity	Land	Buildings and Structures	Improvements Other Than Buildings	Furniture, Machinery and Equipment	Total
General government					
Other general government	\$ -	\$ 5,815,061	\$ -	\$ 296,671	\$ 6,111,732
Total general government	-	5,815,061	-	296,671	6,111,732
Public safety					
Police	-	-	178,519	2,113,979	2,292,498
Fire	-	1,484,304	-	328,628	1,812,932
Civil defense	-	-	-	173,229	173,229
Animal control	-	45,430	-	-	45,430
Total public safety	-	1,529,734	178,519	2,615,836	4,324,089
Public works					
Engineering	-	-	5,637,762	116,551	5,754,313
Streets	-	398,212	155,411,586	186,036	155,995,834
Total public works	-	398,212	161,049,348	302,587	161,750,147
Parks	2,468,467	3,623,739	192,628	681,712	6,966,546
Community development	-	6,931,354	190,497	163,061	7,284,912
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS ALLOCATED TO FUNCTIONS	<u>\$ 2,468,467</u>	<u>\$ 18,298,100</u>	<u>\$ 161,610,992</u>	<u>\$ 4,059,867</u>	186,437,426
Construction in progress					<u>29,903,890</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS					<u>\$ 216,341,316</u>

CITY OF MANKATO, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
YEAR ENDED DECEMBER 31, 2007

Function and Activity	Governmental Fund Capital Assets January 1, 2007	Additions	Deletions	Governmental Funds Capital Assets December 31, 2007
General government				
Other general government	\$ 6,111,732	\$ -	\$ -	\$ 6,111,732
Total general government	6,111,732	-	-	6,111,732
Public safety				
Police	2,127,018	165,480	-	2,292,498
Fire	1,809,851	21,465	18,384	1,812,932
Civil defense	173,229	-	-	173,229
Animal control	45,430	-	-	45,430
Total public safety	4,155,528	186,945	18,384	4,324,089
Public works				
Engineering	6,569,792	1,222,284	2,037,763	5,754,313
Streets	166,177,076	10,503,320	20,684,562	155,995,834
Total public works	172,746,868	11,725,604	22,722,325	161,750,147
Parks	6,911,848	134,236	79,538	6,966,546
Community development	7,367,877	6,991	89,956	7,284,912
Construction in progress	29,886,671	16,436,267	16,419,048	29,903,890
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 227,180,524</u>	<u>\$ 28,490,043</u>	<u>\$ 39,329,251</u>	<u>\$ 216,341,316</u>

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CITY OF MANKATO, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
YEARS ENDED DECEMBER 31, 2007 AND 2006

CITY OF MANKATO, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	Total 2007	Total 2006	Percent Increase (Decrease)	
REVENUES				
Taxes	\$ 11,375,286	\$ 10,467,433	8.67	%
Special assessments	6,383,045	6,730,891	(5.17)	
Licenses and permits	1,299,885	1,466,298	(11.35)	
Intergovernmental	11,755,456	12,101,111	(2.86)	
Charges for services	1,508,001	1,455,017	3.64	
Fines and forfeits	310,408	357,673	(13.21)	
Investment earnings	1,129,779	1,024,202	10.31	
Miscellaneous	1,788,373	1,664,038	7.47	
	<u>\$ 35,550,233</u>	<u>\$ 35,266,663</u>	<u>0.80</u>	<u>%</u>
TOTAL REVENUES				
Per Capita	1,001.61	1,006.73	(0.51)	
EXPENDITURES				
Current				
General government	\$ 1,950,974	\$ 1,715,104	13.75	%
Public safety	10,530,441	9,663,643	8.97	
Public works	5,055,564	5,262,774	(3.94)	
Culture and recreation	2,670,813	2,699,135	(1.05)	
Community development	1,069,458	1,057,371	1.14	
Housing and economic development	1,298,684	1,806,515	(28.11)	
Capital outlay				
Public safety	302,880	142,350	112.77	
Public works	12,484,143	13,264,900	(5.89)	
Culture and recreation	2,175,321	936,190	132.36	
Housing and economic development	3,377,361	7,383,646	(54.26)	
Debt service				
Principal	9,200,000	8,315,000	10.64	
Interest and other charges	2,560,445	2,400,081	6.68	
	<u>\$ 52,676,084</u>	<u>\$ 54,646,709</u>	<u>(3.61)</u>	<u>%</u>
TOTAL EXPENDITURES				
Per Capita	1,484.13	1,559.95	(4.86)	
Total Long-term Indebtedness	\$ 76,290,664	\$ 74,315,664	2.66	%
Per Capita	2,149.46	2,121.43	1.32	
General Fund Balance - December 31	\$ 9,157,160	\$ 9,001,450	1.73	%
Per Capita	258.00	256.96	0.40	

The purpose of this report is to provide a summary of financial information concerning the City of Mankato to interested citizens. The complete financial statements may be examined at City Hall, 10 Civic Center Plaza, PO Box 3368, Mankato, MN 56002 - 3368. Questions about this report should be directed to Dan Scott at (507) 387-8670.

CITY OF MANKATO, MINNESOTA
UTILITY FUND - BY DEPARTMENT
COMBINING SCHEDULES OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
YEARS ENDED DECEMBER 31, 2007 AND 2006

CITY OF MANKATO, MINNESOTA
UTILITY FUND - BY DEPARTMENT
COMBINING SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	Water		Sewer	
	2007	2006	2007	2006
OPERATING REVENUES				
Charges for services	\$ 5,762,993	\$ 5,162,633	\$ 6,588,534	\$ 6,499,778
OPERATING EXPENSES				
Salaries and benefits	1,165,792	1,048,411	1,632,577	1,521,643
Supplies	579,927	489,264	652,160	537,156
Other services and charges	785,700	689,255	903,096	839,495
Vehicle operation	223,315	151,517	242,870	151,484
Insurance	21,737	21,660	38,008	34,945
Utilities	399,043	377,603	663,773	617,552
Depreciation	915,981	964,340	1,646,582	1,621,068
TOTAL OPERATING EXPENSES	4,091,495	3,742,050	5,779,066	5,323,343
OPERATING INCOME	1,671,498	1,420,583	809,468	1,176,435
NONOPERATING REVENUES (EXPENSES)				
Investment income	190,058	129,029	190,057	129,030
Rents	121,799	145,449	874	1,198
Miscellaneous income	27,106	61,518	27,106	61,517
Gain (loss) on sale of assets	(82,600)	(14,262)	-	-
Interest expense	(392,546)	(170,611)	(537,145)	(572,276)
TOTAL NONOPERATING REVENUES (EXPENSES)	(136,183)	151,123	(319,108)	(380,531)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	1,535,315	1,571,706	490,360	795,904
CAPITAL CONTRIBUTIONS	385,173	487,834	410,457	379,096
TRANSFERS OUT	(495,555)	(476,879)	(737,601)	(697,251)
CHANGE IN NET ASSETS	\$ 1,424,933	\$ 1,582,661	\$ 163,216	\$ 477,749
NET ASSETS, JANUARY 1				
NET ASSETS, DECEMBER 31				

Refuse		Totals	
2007	2006	2007	2006
\$ 1,285,132	\$ 1,239,934	\$ 13,636,659	\$ 12,902,345
-	-	2,798,369	2,570,054
-	-	1,232,087	1,026,420
1,174,765	1,139,592	2,863,561	2,668,342
-	-	466,185	303,001
-	-	59,745	56,605
-	-	1,062,816	995,155
3,550	-	2,566,113	2,585,408
1,178,315	1,139,592	11,048,876	10,204,985
106,817	100,342	2,587,783	2,697,360
-	-	380,115	258,059
-	-	122,673	146,647
222	-	54,434	123,035
-	-	(82,600)	(14,262)
-	-	(929,691)	(742,887)
222	-	(455,069)	(229,408)
107,039	100,342	2,132,714	2,467,952
-	-	795,630	866,930
(110,187)	(32,789)	(1,343,343)	(1,206,919)
\$ (3,148)	\$ 67,553	1,585,001	2,127,963
		53,479,598	51,351,635
		\$ 55,064,599	\$ 53,479,598

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STATISTICAL SECTION (UNAUDITED)

This part of the City of Mankato's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

CITY OF MANKATO, MINNESOTA
NET ASSETS BY COMPONENT
2003 - 2007
(accrual basis of accounting)

Table 1

	Fiscal Year				Fiscal Year
	2007	2006	2005	2004	2003
Governmental activities					
Invested in capital assets, net of related debt	\$ 55,795,488	\$ 52,562,940	\$ 48,493,931	\$ 43,113,141	\$ 40,850,932
Restricted	27,760,781	28,248,243	27,518,216	27,097,690	26,233,491
Unrestricted	33,009,048	32,764,123	30,974,424	33,755,480	32,750,122
Total governmental activities net assets	116,565,317	113,575,306	106,986,571	103,966,311	99,834,545
Business-type activities					
Invested in capital assets, net of related debt	86,498,601	80,018,461	73,466,175	67,955,721	66,970,880
Restricted	1,500,000	1,500,000	1,500,000	1,500,000	-
Unrestricted	22,358,959	15,505,201	23,033,092	24,012,578	19,899,147
Total business-type activities net assets	110,357,560	97,023,662	97,999,267	93,468,299	86,870,027
Primary government					
Invested in capital assets, net of related debt	142,294,089	132,581,401	121,960,106	111,068,862	107,821,812
Restricted	29,260,781	29,748,243	29,018,216	28,597,690	26,233,491
Unrestricted	55,368,007	48,269,324	54,007,516	57,768,058	52,649,269
Total primary government net assets	\$ 226,922,877	\$ 210,598,968	\$ 204,985,838	\$ 197,434,610	\$ 186,704,572

Note: Net assets are not available for years prior to 2003.

CITY OF MANKATO, MINNESOTA
CHANGES IN NET ASSETS
2003 - 2007
(accrual basis of accounting)

Table 2

	Fiscal Year				
	2007	2006	2005	2004	2003
EXPENSES					
Governmental activities:					
General government	\$ 1,844,659	\$ 1,716,402	\$ 1,111,627	\$ 813,161	\$ 611,105
Public safety	10,479,212	9,849,750	8,727,981	8,613,176	8,631,142
Public works/streets	11,017,060	11,769,258	10,849,674	10,507,315	8,800,525
Culture and recreation	4,723,586	3,173,763	3,912,744	2,878,001	2,747,235
Community development	1,063,136	1,014,443	775,321	777,156	1,011,961
Housing and economic development	2,149,310	5,113,132	2,109,906	1,376,086	723,029
Interest on long-term debt	2,535,481	2,410,934	2,252,888	2,196,851	2,231,795
Total governmental activities expenses	<u>33,812,444</u>	<u>35,047,682</u>	<u>29,740,141</u>	<u>27,161,746</u>	<u>24,756,792</u>
Business-type activities					
Housing and economic development	6,461,339	4,216,084	4,233,227	3,551,599	3,321,879
Water	4,395,987	3,881,732	3,712,592	3,655,665	3,794,915
Wastewater	6,228,157	5,864,688	5,403,754	5,458,663	5,286,999
Refuse	1,178,315	1,139,592	1,089,631	1,000,502	944,187
Storm water	509,240	656,787	549,633	369,080	242,097
Mass transit	1,445,112	1,464,838	1,331,998	1,274,296	1,195,172
Parking	679,120	466,320	593,776	544,488	504,936
Airport	939,200	1,100,875	1,001,103	824,107	822,346
Civic center/arena	5,003,318	4,781,521	4,194,288	4,107,334	3,996,039
Total business-type activities expenses	<u>26,839,788</u>	<u>23,572,437</u>	<u>22,110,002</u>	<u>20,785,734</u>	<u>20,108,570</u>
Total primary government expenses	<u>\$ 60,652,232</u>	<u>\$ 58,620,119</u>	<u>\$ 51,850,143</u>	<u>\$ 47,947,480</u>	<u>\$ 44,865,362</u>
PROGRAM REVENUES					
Governmental activities:					
Charges for services:					
General government	\$ 358,194	\$ 416,941	\$ 374,004	\$ 310,195	\$ 290,144
Public safety	549,861	605,510	714,154	1,115,968	1,246,077
Public works/streets	1,249,714	1,163,009	1,073,332	814,277	1,870,690
Culture and recreation	125,818	151,169	176,738	115,111	109,018
Community development	1,055,391	1,250,890	1,272,111	1,070,950	679,577
Housing and economic development	504,895	529,860	516,572	500,258	599,713
Operating grants and contributions	1,794,443	2,003,110	1,255,551	1,033,539	1,133,902
Capital grants and contributions	11,004,189	9,270,983	8,009,951	11,362,464	8,060,936
Total governmental activities program revenues	<u>16,642,505</u>	<u>15,391,472</u>	<u>13,392,413</u>	<u>16,322,762</u>	<u>13,990,057</u>
Business-type activities:					
Charges for services:					
Housing and economic development	1,763,667	1,538,012	1,310,435	1,207,404	1,180,389
Water	5,911,898	5,369,599	4,551,828	3,954,334	3,841,099
Wastewater	6,616,514	6,562,494	6,051,237	5,771,867	5,853,311
Refuse	1,285,354	1,239,934	1,226,007	1,162,657	1,137,335
Storm water	1,137,480	1,297,196	769,955	354,456	228,327
Mass transit	416,247	375,416	366,298	382,253	330,716
Parking	383,112	306,296	345,401	294,769	376,287
Airport	395,404	395,320	280,145	277,217	264,258
Civic center/arena	2,560,396	2,764,919	2,420,349	2,655,281	2,633,835
Operating grants and contributions	5,495,600	3,373,456	3,243,882	3,165,469	3,075,559
Capital grants and contributions	7,110,688	295,882	1,307,198	964,597	748,980
Total business-type activities program revenues	<u>33,076,360</u>	<u>23,518,524</u>	<u>21,872,735</u>	<u>20,190,304</u>	<u>19,670,096</u>
Total primary government program revenues	<u>\$ 49,718,865</u>	<u>\$ 38,909,996</u>	<u>\$ 35,265,148</u>	<u>\$ 36,513,066</u>	<u>\$ 33,660,153</u>

CITY OF MANKATO, MINNESOTA
CHANGES IN NET ASSETS - CONTINUED
2003 - 2007
(accrual basis of accounting)

Table 2

	Fiscal Year				Fiscal Year
	2007	2006	2005	2004	2003
PROGRAM REVENUES - CONTINUED					
Net (expense)/revenue					
Governmental activities	\$ (17,169,939)	\$ (19,656,210)	\$ (16,347,728)	\$ (10,838,984)	\$ (10,766,735)
Business-type activities	6,236,572	(53,913)	(237,267)	(595,430)	(438,474)
Total primary government net expense	<u>\$ 10,933,367</u>	<u>\$ 19,710,123</u>	<u>\$ 16,584,995</u>	<u>\$ 11,434,414</u>	<u>\$ 11,205,209</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS					
Governmental activities:					
Taxes					
Property taxes, levied for general purposes	\$ 6,687,097	\$ 5,876,970	\$ 5,197,619	\$ 4,375,632	\$ 3,393,877
Property taxes, levied for debt service	3,034,378	2,749,331	2,846,108	2,452,475	2,293,740
Tax increments	1,176,669	1,065,592	1,309,378	1,132,812	1,053,998
Hotel-motel tax	340,817	318,579	149,200	13,410	14,077
Gambling tax	52,422	56,504	58,792	73,175	79,779
Franchise taxes	216,211	203,456	189,469	188,898	176,717
Grants and contributions not restricted to specific programs	8,493,989	8,668,454	8,143,060	8,286,622	8,678,335
Unrestricted investment earnings	1,718,552	1,480,550	906,500	756,269	668,078
Other revenues	176,264	128,843	177,847	167,775	147,703
Gain on sale of capital assets	32,570	-	-	4,000	20,363
Transfers	(1,769,019)	5,696,666	390,015	(2,480,318)	4,901,916
Total governmental activities	<u>20,159,950</u>	<u>26,244,945</u>	<u>19,367,988</u>	<u>14,970,750</u>	<u>21,428,583</u>
Business-type activities					
Taxes					
Property taxes, levied for general purposes	187,562	187,563	187,563	187,564	266,740
Tax increments	121,105	112,154	128,563	64,438	88,176
Sales tax	4,218,761	3,715,866	4,382,377	3,851,019	3,686,447
Grants and contributions not restricted to specific programs	3,676	3,534	3,252	3,115	3,035
Unrestricted investment earnings	787,333	621,991	298,677	230,968	321,381
Gain on sale of capital assets	9,870	133,866	81,638	376,280	56,700
Transfers	1,769,019	(5,696,666)	(390,015)	2,480,318	(4,901,916)
Total business-type activities	<u>7,097,326</u>	<u>(921,692)</u>	<u>4,692,055</u>	<u>7,193,702</u>	<u>(479,437)</u>
Total primary government	<u>\$ 27,257,276</u>	<u>\$ 25,323,253</u>	<u>\$ 24,060,043</u>	<u>\$ 22,164,452</u>	<u>\$ 20,949,146</u>
CHANGES IN NET ASSETS					
Governmental activities	\$ 2,990,011	\$ 6,588,735	\$ 3,020,260	\$ 4,131,766	\$ 10,661,848
Business-type activities	13,333,898	(975,605)	4,454,788	6,598,272	(917,911)
Total primary government	<u>\$ 16,323,909</u>	<u>\$ 5,613,130</u>	<u>\$ 7,475,048</u>	<u>\$ 10,730,038</u>	<u>\$ 9,743,937</u>

Note: Changes in net assets are not available for years prior to 2003.

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CITY OF MANKATO, MINNESOTA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
2003 - 2007
(accrual basis of accounting)

Table 3

Fiscal Year	Property Taxes		Tax Increments	Hotel- Motel Tax	Gambling Tax	Franchise Tax	Total
	Levied for General Purposes	Levied for Debt Service					
2007	\$ 6,687,097	\$ 3,034,378	\$ 1,176,669	\$ 340,817	\$ 52,422	\$ 216,211	\$ 11,507,594
2006	5,876,970	2,749,331	1,065,592	318,579	56,504	203,456	10,270,432
2005	5,197,619	2,846,108	1,309,378	149,200	58,792	189,469	9,750,566
2004	4,375,632	2,452,475	1,132,812	13,410	73,175	188,898	8,236,402
2003	3,393,877	2,293,740	1,053,998	14,077	79,779	176,717	7,012,188

Note: Accrual based tax information was not available for years prior to 2003.

CITY OF MANKATO, MINNESOTA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	1998	1999	2000	2001
General fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>6,587,858</u>	<u>5,987,489</u>	<u>6,496,897</u>	<u>6,884,014</u>
Total General fund	<u>\$ 6,587,858</u>	<u>\$ 5,987,489</u>	<u>\$ 6,496,897</u>	<u>\$ 6,884,014</u>
All other governmental funds				
Reserved	\$ 17,055,895	\$ 16,653,409	\$ 16,687,368	\$ 20,320,946
Unreserved, reported in:				
Special revenue funds	571,618	982,652	1,222,198	2,379,077
Capital projects funds	<u>(3,052,485)</u>	<u>(4,057,341)</u>	<u>(7,390,475)</u>	<u>(7,888,395)</u>
Total all other governmental funds	<u>\$ 14,575,028</u>	<u>\$ 13,578,720</u>	<u>\$ 10,519,091</u>	<u>\$ 14,811,628</u>

Table 4

Fiscal Year					
2002	2003	2004	2005	2006	2007
\$ -	\$ -	\$ -	\$ -	\$ 7,533	\$ 23,603
<u>7,525,970</u>	<u>7,127,604</u>	<u>7,351,510</u>	<u>8,402,048</u>	<u>8,993,917</u>	<u>9,133,557</u>
<u>\$ 7,525,970</u>	<u>\$ 7,127,604</u>	<u>\$ 7,351,510</u>	<u>\$ 8,402,048</u>	<u>\$ 9,001,450</u>	<u>\$ 9,157,160</u>
\$ 20,938,231	\$ 22,884,289	\$ 18,028,458	\$ 18,500,160	\$ 18,233,373	\$ 15,725,407
2,575,235	6,755,439	8,165,111	7,032,968	5,614,967	5,664,107
<u>(9,414,507)</u>	<u>(6,046,966)</u>	<u>(3,683,130)</u>	<u>(3,258,293)</u>	<u>(2,618,838)</u>	<u>(3,637,698)</u>
<u>\$ 14,098,959</u>	<u>\$ 23,592,762</u>	<u>\$ 22,510,439</u>	<u>\$ 22,274,835</u>	<u>\$ 21,229,502</u>	<u>\$ 17,751,816</u>

CITY OF MANKATO, MINNESOTA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	1998	1999	2000	2001
REVENUES				
Taxes	\$ 6,926,629	\$ 7,722,687	\$ 8,526,705	\$ 8,656,656
Special assessments	2,005,119	2,019,091	2,109,706	4,132,116
Licenses and permits	498,017	835,266	699,370	968,523
Intergovernmental revenue	11,084,590	10,560,077	13,301,764	13,170,721
Charges for services	1,024,840	1,386,678	1,100,467	1,580,593
Fines and forfeits	219,433	175,793	247,125	266,458
Interest	731,025	258,387	990,656	884,339
Other revenues	1,923,054	2,010,726	1,511,905	2,040,534
TOTAL REVENUES	24,412,707	24,968,705	28,487,698	31,699,940
EXPENDITURES				
General government	1,797,853	1,676,613	1,228,825	1,204,335
Public safety	5,660,285	7,217,108	6,895,439	8,117,629
Public works	3,457,137	3,802,043	3,974,207	4,491,118
Culture and recreation	2,048,264	2,151,332	2,202,090	2,170,235
Community development	-	670,465	671,032	724,132
Housing and economic development	2,035,535	2,424,502	1,659,346	1,285,756
Capital outlay	10,768,594	14,098,097	18,810,892	13,860,815
Debt service				
Principal	3,407,084	4,680,205	3,484,686	4,659,168
Interest	1,322,670	1,461,269	1,612,390	1,836,332
TOTAL EXPENDITURES	30,497,422	38,181,634	40,538,907	38,349,520
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(6,084,715)	(13,212,929)	(12,051,209)	(6,649,580)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,900,058	6,981,415	3,988,513	1,315,732
Transfers out	(1,881,315)	(1,019,477)	(3,401,629)	(391,729)
Bonds issued	5,718,931	10,380,040	8,914,104	10,405,231
Premium on bonds issued	-	-	-	-
Discount on bonds issued	-	-	-	-
Adjustment to offset loans receivable by deferred revenue	-	(4,725,726)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	6,737,674	11,616,252	9,500,988	11,329,234
NET CHANGE IN FUND BALANCES	\$ 652,959	\$ (1,596,677)	\$ (2,550,221)	\$ 4,679,654
Debt service as a percentage of noncapital expenditures	23.97%	25.50%	23.46%	26.52%

Table 5

Fiscal Year					
2002	2003	2004	2005	2006	2007
\$ 6,709,963	\$ 6,970,309	\$ 8,167,687	\$ 9,735,374	\$ 10,467,433	\$ 11,375,286
4,355,846	5,010,033	7,547,968	6,795,963	6,730,891	6,383,045
807,986	914,872	1,260,512	1,454,451	1,466,298	1,299,885
12,922,646	11,969,361	10,840,055	10,717,475	12,101,111	11,755,456
1,840,435	1,806,038	1,513,627	1,577,360	1,455,017	1,508,001
209,806	260,922	271,552	333,516	357,673	310,408
895,646	422,991	474,834	621,785	1,024,202	1,129,779
2,866,608	2,569,859	3,037,746	1,497,835	1,664,038	1,788,373
30,608,936	29,924,385	33,113,981	32,733,759	35,266,663	35,550,233
1,323,098	1,113,252	1,345,671	1,672,923	1,715,104	1,950,974
8,414,748	8,571,568	8,358,684	8,712,515	9,663,643	10,530,441
4,087,977	4,388,890	4,222,667	4,620,761	5,262,774	5,055,564
2,311,971	2,170,290	2,256,669	2,479,771	2,699,135	2,670,813
722,322	774,301	777,059	796,298	1,057,371	1,069,458
1,171,440	1,666,393	1,547,015	1,589,818	1,806,515	1,298,684
16,529,269	15,635,408	11,451,578	16,012,942	21,727,086	18,339,705
4,803,643	5,725,000	11,019,336	7,800,000	8,315,000	9,200,000
2,050,397	2,205,875	2,235,155	2,256,493	2,400,081	2,560,445
41,414,865	42,250,977	43,213,834	45,941,521	54,646,709	52,676,084
(10,805,929)	(12,326,592)	(10,099,853)	(13,207,762)	(19,380,046)	(17,125,851)
1,395,143	6,371,151	6,282,174	5,353,006	12,901,204	6,897,070
(1,668,818)	(386,525)	(7,142,487)	(3,853,510)	(5,887,608)	(4,307,243)
11,008,891	11,865,000	9,870,000	12,420,000	11,825,000	11,175,000
-	2,635	235,724	108,981	98,987	-
-	(40,119)	(3,975)	(5,781)	(3,468)	39,048
-	-	-	-	-	-
10,735,216	17,812,142	9,241,436	14,022,696	18,934,115	13,803,875
\$ (70,713)	\$ 5,485,550	\$ (858,417)	\$ 814,934	\$ (445,931)	\$ (3,321,976)
27.54%	29.53%	40.60%	32.17%	28.82%	31.72%

CITY OF MANKATO, MINNESOTA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

Table 6

<u>Fiscal Year</u>	<u>Property Taxes/ Tax Increments</u>	<u>Hotel-Motel Tax</u>	<u>Gambling Tax</u>	<u>Franchise Tax</u>	<u>Total</u>
1998	\$ 6,712,091	\$ -	\$ 83,136	\$ 131,402	\$ 6,926,629
1999	7,503,715	-	83,297	135,675	7,722,687
2000	8,275,792	-	86,019	164,894	8,526,705
2001	8,410,612	-	79,507	166,537	8,656,656
2002	6,464,617	-	68,410	176,936	6,709,963
2003	6,713,813	-	79,779	176,717	6,970,309
2004	7,905,614	-	73,175	188,898	8,167,687
2005	9,345,744	141,369	58,792	189,469	9,735,374
2006	9,888,894	318,579	56,504	203,456	10,467,433
2007	10,765,836	340,817	52,422	216,211	11,375,286

CITY OF MANKATO, MINNESOTA
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

Table 7

Fiscal Year Ended December 31,	Real Property		Personal Property	Less: Tax Exempt Real Property	Total Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value (1) as a Percentage of Actual Value
	Residential Property	Commercial Property						
1998	\$ 8,675,233	\$ 11,308,002	\$ 531,617	\$ -	\$ 20,514,852	33.873	\$1,021,900,700	2.01 %
1999	9,012,966	11,889,327	518,177	-	21,420,470	33.578	1,084,835,200	1.97
2000	9,882,299	13,385,709	525,391	-	23,793,399	33.172	1,192,381,075	2.00
2001	9,053,104	8,369,217	317,572	-	17,739,893	37.841	1,300,611,989	1.36
2002	9,677,473	9,280,582	339,168	-	19,297,223	35.366	1,440,597,089	1.34
2003	10,654,938	9,882,918	355,338	-	20,893,194	39.295	1,592,920,568	1.31
2004	12,595,730	11,668,827	398,835	-	24,663,392	37.482	1,928,257,990	1.28
2005	15,115,705	11,998,718	412,327	-	27,526,750	36.274	2,163,282,800	1.27
2006	16,978,348	12,919,481	440,425	12,224	30,326,030	36.190	2,388,657,200	1.27
2007	17,949,846	15,582,614	497,168	11,712	34,017,916	36.560	2,596,453,300	1.31

Source: Blue Earth County Administrative Services

Note: Property in the count is reassessed annually. The county assesses property at approximately 75 percent of actual value for all types of real and personal property. Estimated actual value is calculated by dividing assessed value by those percentages. Tax rates are per \$1,000 of assessed value.

(1) Includes tax-exempt property.

CITY OF MANKATO, MINNESOTA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Fiscal Year	Name of Government			Overlapping Rates		
				County		
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage
1999	23.03	10.84	33.87	37.32	2.88	40.20
2000	23.13	10.45	33.58	38.10	3.64	41.74
2001	22.29	10.89	33.17	36.84	3.97	40.81
2002	23.57	14.28	37.84	48.96	4.91	53.87
2003	22.84	12.53	35.37	46.51	4.90	51.41
2004	26.86	12.44	39.30	43.72	4.48	48.20
2005	25.74	11.75	37.48	40.14	4.01	44.15
2006	25.93	10.35	36.27	38.03	3.90	41.93
2007	25.86	10.33	36.19	37.48	3.03	40.51
2008	26.56	10.00	36.56	36.32	4.40	40.72

Source: Blue Earth County Administrative Services

Table 8

Overlapping Rates School District			Special Districts	Total Direct and Overlapping Rates
Operating Millage	Debt Service Millage	Total School Millage		
44.36	5.82	50.18	0.19	124.45
41.37	5.97	47.34	0.18	122.84
36.32	7.66	43.98	0.17	118.14
6.39	9.13	15.52	0.30	107.53
6.09	8.38	14.47	0.27	101.52
6.26	6.95	13.21	0.25	100.96
5.75	6.36	12.11	0.23	93.97
7.36	6.26	13.62	0.22	92.04
9.15	6.26	15.41	0.20	92.31
7.86	5.42	13.28	0.19	90.75

CITY OF MANKATO, MINNESOTA
PRINCIPAL PROPERTY TAXPAYERS
DECEMBER 31, 2007

Table 9

Taxpayer	Type of Business	2007			1998		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
River Hills Mall	Shopping Center	\$ 953,752	1	2.8 %	\$ 815,939	2	4.0 %
Xcel Energy	Utility	800,446	2	2.4	1,299,568	1	6.3
GMH Management	Retail/Apartments	356,308	3	1.0	-	-	-
Inland Real Estate Corp	Apartments	323,944	4	1.0	-	-	-
ISI Mayo Health Systems	Hospital	304,133	5	0.9	235,444	6	1.1
Alltel Communications	Wireless Telecommunications	294,218	6	0.9	-	-	-
Atwood Land Company	Commercial Real Estate	260,068	7	0.8	246,897	5	1.2
Ambling Land Company LLC	Apartments	255,989	8	0.8	-	-	-
MN Financial Development Corp	Apartments	243,743	9	0.7	182,166	10	0.9
Archer-Daniels Midland	Soybean Processor	241,184	10	0.7	329,632	3	1.6
Madison East Properties	Retail	229,770	11	0.7	-	-	-
Menard, Inc.	Hardware Distribution	215,116	12	0.6	-	-	-
Harvest States	Agriculture	214,072	13	0.6	260,846	4	1.3
Highland Hills Mankato Phase II	Apartments	212,612	14	0.6	-	-	-
Wal-Mart Stores, Inc.	Retail	206,576	15	0.6	184,202	9	0.9
Kingbay Enterprises	Apartments	-	-	-	164,183	15	0.8
Sears & Roebuck & Company	Retail	-	-	-	164,763	14	0.8
TruServ Corporation	Hardware Distribution	-	-	-	177,348	13	0.9
Hickory Tech	Utility	-	-	-	179,272	12	0.9
Minnegasco	Utility	-	-	-	180,135	11	0.9
K-Mart Corporation	Retail	-	-	-	186,361	8	0.9
Sawdust City	Apartments	-	-	-	196,479	7	1.0
Total		\$ 5,111,931		15.1 %	\$ 4,803,235		23.5 %

Source: Blue Earth County Administrative Services

CITY OF MANKATO, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Table 10

Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 5,952,467	\$ 5,899,913	99.1 %	\$ 52,019	\$ 5,951,877	100.0 %
1999	6,370,663	6,311,462	99.1	58,377	6,369,839	100.0
2000	6,633,685	6,562,896	98.9	69,823	6,632,719	100.0
2001	7,419,763	7,345,663	99.0	73,132	7,418,795	100.0
2002	6,322,212	6,224,078	98.4	97,343	6,321,421	100.0
2003	6,390,699	6,316,587	98.8	68,323	6,384,910	99.9
2004	7,761,135	7,647,811	98.5	103,442	7,751,253	99.9
2005	8,661,135	8,544,195	98.6	94,374	8,638,569	99.7
2006	9,524,663	9,352,691	98.2	107,871	9,460,562	99.3
2007	10,486,100	10,248,609	97.7	-	10,248,609	97.7

CITY OF MANKATO, MINNESOTA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Table 11

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita	
	General Obligation Bonds	G.O. Tax Increment Bonds	Special Assessment Bonds	Utility Bonds	General Obligation Bonds	Loans Payable				
1998	\$ 2,860,000	\$ 9,630,000	\$ 24,855,000	\$ 12,974,873	\$ 21,830,000	\$ 432,000	\$ 72,581,873	221,238.98	%	\$ 2,306
1999	2,845,000	8,705,000	31,690,000	27,404,698	21,255,000	384,000	92,283,698	271,774.35		2,932
2000	2,545,000	8,615,000	36,950,000	32,170,850	20,650,000	559,673	101,490,523	295,925.25		3,130
2001	2,180,000	8,515,000	43,240,000	30,320,155	20,010,000	651,513	104,916,668	302,885.96		3,235
2002	2,565,000	8,415,000	50,215,000	28,155,141	19,335,000	718,174	109,403,315	312,714.92		3,374
2003	2,225,000	8,305,000	56,805,000	26,129,213	14,345,000	629,337	108,438,550	306,887.08		3,344
2004	2,430,000	5,535,664	58,220,000	24,527,444	13,540,000	540,500	104,793,608	293,638.22		3,232
2005	2,715,000	5,415,664	62,675,000	22,872,880	12,700,000	451,663	106,830,207	292,685.50		3,294
2006	3,030,000	6,500,664	64,785,000	23,417,837	11,840,000	702,854	110,276,355	296,202.94		3,401
2007	3,435,000	6,360,664	66,495,000	41,969,536	10,940,000	579,438	129,779,638	335,660.14		4,002

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF MANKATO, MINNESOTA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Table 12

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
1998	\$ 37,345,000	\$ 17,055,895	\$ 20,289,105	1.99 %	\$ 645
1999	43,240,000	16,653,409	26,586,591	2.45	845
2000	48,110,000	16,687,368	31,422,632	2.64	969
2001	53,935,000	18,674,166	35,260,834	2.71	1,087
2002	61,195,000	18,895,440	42,299,560	2.94	1,304
2003	67,335,000	20,878,508	46,456,492	2.92	1,433
2004	66,185,664	16,016,830	50,168,834	2.60	1,547
2005	70,805,664	16,766,183	54,039,481	2.50	1,666
2006	74,315,664	16,605,695	57,709,969	2.42	1,780
2007	76,290,664	14,135,623	62,155,041	2.39	1,917

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

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CITY OF MANKATO, MINNESOTA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2007

Table 13

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City of Mankato	\$ 3,435,000	100.00 %	\$ 3,435,000
Blue Earth County	3,435,000 ⁽¹⁾	52.26	1,794,988
Nicollet County	10,090,000 ⁽²⁾	0.19	19,602
Independent School Dist. 77	21,285,000 ⁽³⁾	77.08	<u>16,407,164</u>
Total direct and overlapping debt			<u><u>\$ 21,656,754</u></u>

(1) Source: Blue Earth County Administrative Services

(2) Source: Nicollet County Auditor

(3) Source: I.S.D. #77

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Mankato. This process recognized that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

CITY OF MANKATO, MINNESOTA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Debt limit	\$ 20,438,014	\$ 21,696,704	\$ 23,847,622	\$ 26,012,240	\$ 28,811,942
Total net debt applicable to limit	<u>2,860,000</u>	<u>2,845,000</u>	<u>2,545,000</u>	<u>2,180,000</u>	<u>2,565,000</u>
Legal debt margin	<u>\$ 17,578,014</u>	<u>\$ 18,851,704</u>	<u>\$ 21,302,622</u>	<u>\$ 23,832,240</u>	<u>\$ 26,246,942</u>
Total net debt applicable to the limit as a percentage of debt limit	13.99%	13.11%	10.67%	8.38%	8.90%

Note: Under state finance law, the City of Mankato's outstanding general obligation debt should not exceed 2 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Table 14

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 31,858,411	\$ 38,565,160	\$ 43,265,696	\$ 47,773,144	\$ 51,929,066
<u>2,225,000</u>	<u>2,430,000</u>	<u>2,715,000</u>	<u>3,030,000</u>	<u>3,435,000</u>
<u>\$ 29,633,411</u>	<u>\$ 36,135,160</u>	<u>\$ 40,550,696</u>	<u>\$ 44,743,144</u>	<u>\$ 48,494,066</u>
6.98%	6.30%	6.28%	6.34%	6.61%

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed value	\$ 34,017,916
Add back: exempt real property	<u>11,712</u>
Total assessed value	<u>34,029,628</u>
Debt limit (2% of total assessed value)	<u>51,929,066</u>
Debt applicable to limit:	
General obligation bonds	3,435,000
Less: Amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	<u>3,435,000</u>
Legal debt margin	<u>\$ 48,494,066</u>

CITY OF MANKATO, MINNESOTA
 PLEDGED-REVENUE COVERAGE - UTILITY REVENUE BONDS
 LAST TEN FISCAL YEARS

Table 15A

Year	Utility Revenue Bonds						
	Gross Revenue	Direct Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements ⁽¹⁾			Coverage
				Principal	Interest	Total	
1998	\$ 8,553,951	\$ 5,170,603	\$ 3,383,348	\$ 935,000	\$ 343,007	\$ 1,278,007	2.65
1999	9,413,273	5,076,238	4,337,035	940,000	438,939	1,378,939	3.15
2000	10,540,755	5,656,429	4,884,326	1,849,849	1,403,251	3,253,100	1.5
2001	10,630,250	5,802,912	4,827,338	2,342,496	1,310,883	3,653,379	1.32
2002	10,782,535	6,290,693	4,491,842	2,630,013	1,333,192	3,963,205	1.13
2003	10,636,011	6,652,781	3,983,230	2,980,929	1,052,494	4,033,423	0.99
2004	10,558,839	6,786,011	3,772,828	2,560,769	1,066,272	3,627,041	1.04
2005	11,605,508	6,954,448	4,651,060	2,517,564	1,061,961	3,579,525	1.30
2006	12,902,345	7,619,577	5,282,768	2,674,342	1,002,377	3,676,719	1.44
2007	13,636,659	8,482,763	5,153,896	2,912,754	1,130,242	4,042,996	1.27

Source: City of Mankato Financial Records.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Sewer charges and other includes investment earnings but not tap fees. Operating expenses do not include interest or depreciation.

(1) The revenues of the utility are pledged to payment of debt service but bonds are backed by the full faith and credit of the City.

(2) Does not include depreciation.

CITY OF MANKATO, MINNESOTA
 PLEDGED-REVENUE COVERAGE - RIVERFRONT 2000/CIVIC CENTER REVENUE BONDS
 LAST TEN FISCAL YEARS

Table 15B

Year	Riverfront 2000/Civic Center Revenue Bonds						
	Revenues ⁽¹⁾	Direct Operating Expenses ⁽³⁾	Net Revenue Available for Debt Service	Debt Service Requirements ⁽²⁾			Coverage
				Principal	Interest	Total	
1998	\$ 4,366,378	\$ 2,100,671	\$ 2,265,707	\$ 550,000	\$ 796,162	\$ 1,346,162	1.68
1999	4,732,017	2,378,014	2,354,003	575,000	917,287	1,492,287	1.58
2000	5,126,165	2,423,528	2,702,637	605,000	954,486	1,559,486	1.73
2001	5,017,707	2,320,993	2,696,714	640,000	782,700	1,422,700	1.90
2002	5,032,478 ⁽⁴⁾	2,264,573	2,767,905	675,000	635,863	1,310,863	2.11
2003	5,640,542 ⁽⁴⁾	2,600,836	3,039,706	715,000 ⁽⁵⁾	429,981	1,144,976	2.65
2004	5,918,968 ⁽⁴⁾	2,815,954	3,103,014	805,000	282,853	1,087,853	2.85
2005	6,210,023 ⁽⁴⁾	2,767,882	3,442,141	840,000	373,816	1,213,816	2.84
2006	5,793,087 ⁽⁴⁾	3,189,224	2,603,863	860,000	425,591	1,285,591	2.03
2007	6,164,864 ⁽⁴⁾	3,456,014	2,708,850	900,000	410,404	1,310,404	2.07

Source: City of Mankato Financial Records.

(1) Revenues include sales tax revenue.

(2) The revenues of the Civic Center are pledged to payment of debt service, but bonds are backed by the full faith and credit of the City.

(3) Does not include depreciation.

(4) Net of cost of goods sold.

(5) Does not include bond principal paid by escrow.

CITY OF MANKATO, MINNESOTA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Table 16

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
1998	31,477	\$ 32,807	\$ 17,055	24.5	7,161	1.8 %
1999	31,477	33,956	17,652	24.5	7,024	2.2
2000	32,427	34,296	18,270	25.3	6,852	1.9
2001	32,427	34,639	18,909	25.3	6,905	2.2
2002	32,427	34,985	19,571	25.3	6,898	3.1
2003	32,427	35,335	20,256	25.3	6,891	3.3
2004	32,427	35,688	20,965	25.3	6,819	3.4
2005	32,427	36,500	21,699	25.3	6,924	3.2
2006	32,427	37,230	22,458	25.3	6,959	3.0
2007	32,427	38,664	23,244	25.3	7,057	4.0

Source: Department of Planning - City of Mankato.

Note: Population and median age information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

CITY OF MANKATO, MINNESOTA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Table 17

	2007			1998		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Independent School District 77	1,993	1	10.69 %	905	3	5.78 %
Immanuel St. Joseph's - Mayo Health System	1,828	2	9.80	874	4	5.58
Minnesota State University, Mankato	1,700	3	9.11	1,450	1	9.26
Mankato Clinic	725	4	3.89	-		-
The Thro Company	432	5	2.32	-		-
Midwest Wireless	422	6	2.26	-		-
Blue Earth County	400	7	2.14	438	6	-
Southern Minnesota Construction Company	400	8	2.14	-		-
City of Mankato	390	9	2.09	-		-
HickoryTech	370	10	1.98	249	9	-
Hubbard Milling Company	-		-	200	10	1.28
Clear With Computers	-		-	250	8	1.60
Johnson Worldwide Associates	-		-	280	7	1.79
Mankato Rehab. Center	-		-	450	5	2.88
Midwest Electric	-		-	1,100	2	7.03
Total	8,660		46.43 %	6,196		35.20 %

Source: State Department of Commerce.

CITY OF MANKATO, MINNESOTA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Function	Full-time Equivalent Employees as of December 31			
	1998	1999	2000	2001
General government	2	2	2	3
Public safety				
Administration	9	11	10	12
Police	42	45	45	50
Fire	19	18	18	18
Building inspectors	5	5	5	5
Streets and highways				
Engineering	12	13	13	13
Maintenance	17	17	17	16
Culture and recreation				
Parks	19	20	18	17
Housing and economic development	2	2	4	6
Water	14	12	13	13
Sewer	16	15	16	17
Utility administration	6	6	6	6
Storm water	1	1	1	1
Transit	14	16	16	15
Civic center	-	-	-	-
Total	<u>178</u>	<u>183</u>	<u>184</u>	<u>192</u>

Source: Human Resources Department

Table 18

Full-time Equivalent Employees as of December 31					
2002	2003	2004	2005	2006	2007
3	3	3	3	3	3
12	9	9	12	10	10
51	48	48	51	51	58
18	17	18	18	17	19
5	5	6	6	7	7
13	14	12	13	13	13
16	16	16	17	16	16
17	16	14	14	14	15
7	6	5	6	5	5
13	14	12	12	12	14
17	17	17	18	18	23
6	6	6	7	7	6
1	1	1	1	1	1
14	18	17	17	18	19
-	-	11	12	12	12
<u>193</u>	<u>190</u>	<u>195</u>	<u>207</u>	<u>204</u>	<u>221</u>

CITY OF MANKATO, MINNESOTA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Year			
	1998	1999	2000	2001
Police				
Physical arrests	1,645	1,707	3,204	3,288
Parking violations	14,701	6,144	8,088	7,204
Traffic violations	4,353	4,266	1,451	4,238
Fire				
Number of calls answered	1,945	2,009	1,943	2,097
Inspections	508	506	508	525
Building permits				
Residential	73	101	185	253
Industrial, construction and commercial	38	48	32	51
Highways and streets				
Street resurfacing (miles)	2.67	5.21	4.61	2.45
Potholes repaired	537	623	896	569
Culture and recreation				
Swimming pool attendance	39,096	36,213	38,696	35,329
Campground rentals	876	635	399	N/A
Park shelter rentals	N/A	124	126	109
Water				
New connections	156	179	281	517
Water main breaks	42	40	39	48
Average daily consumption in gallons	4,355,537	4,353,175	4,513,430	4,677,660
Wastewater				
Average daily sewage treatment in gallons	5,225,112	5,779,485	5,748,836	6,858,329

Sources: Various government departments.

Note: Indicators are not available for the general government function.

Table 19

Fiscal Year					
2002	2003	2004	2005	2006	2007
3,014	2,946	3,013	4,278	4,235	4,299
5,975	4,891	4,984	4,958	4,674	5,097
3,245	2,992	3,689	4,738	4,441	3,311
2,278	2,258	2,324	2,489	2,826	2,768
615	703	1,154	1,310	1,499	456
230	536	319	323	264	192
66	44	64	103	79	51
4.62	5.62	3.15	3.87	3.63	2.90
781	653	906	742	874	947
30,860	29,754	20,865	30,990	33,480	28,207
N/A	N/A	N/A	710	667	936
165	165	143	150	222	207
574	613	860	915	627	511
23	48	37	48	34	40
4,719,789	5,314,533	5,402,214	5,189,274	5,328,338	5,077,428
5,979,534	5,304,844	6,592,219	6,958,986	7,072,529	6,678,000

CITY OF MANKATO, MINNESOTA
CAPITAL ASSET STATISTICS BY FUNCTION - CONTINUED ON THE FOLLOWING PAGES
LAST TEN FISCAL YEARS

Function	Fiscal Year			
	1998	1999	2000	2001
Public Safety				
Police:				
Stations	1	1	1	1
Fire:				
Stations	3	3	3	3
Hydrants	1,153	1,234	1,342	1,461
I.S.O. Rating	4	4	4	3
Public Works				
Street division:				
Miles of street	149.32	150.56	157.80	161.36
Lane miles of street	410.90	414.30	434.20	443.90
Percent of paved streets	100%	100%	100%	100%
Miles of alleys	11.58	11.58	11.58	11.58
Signalized intersections	46	46	46	46
Parks division:				
Neighborhood parks	14	14	14	14
Area in acres	78.1	78.1	78.1	78.1
Regional parks	3	3	3	3
Area in acres	214.7	214.7	214.7	214.7
Arena/civic center	1 with 4,800 seating capacity	1 with 4,800 seating capacity	1 with 4,800 seating capacity	1 with 4,800 seating capacity
Baseball diamonds	6	6	6	6
Basketball courts	9	9	9	9
Bike trails in miles	11	11	11	14
Campground	1 with 47 sites	1 with 47 sites	1 with 47 sites	1 with 47 sites
Hockey rinks/outdoor	8	8	8	8
Softball diamonds	7	8	8	8
Swimming areas	2	2	2	2
Tennis courts	10	10	10	10
Volleyball courts	2	2	2	4
Utilities				
Municipal water:				
Type of treatment	Lime Softening	Lime Softening	Lime Softening	Lime Softening
Consumers				
Residential	7,361	7,453	7,751	8,134
Commercial	1,199	1,230	990	1,004
Industrial	13	14	13	12
Government	151	161	144	144
Average daily consumption in gallons	4,355,537	4,353,175	4,513,430	4,677,660
Maximum daily consumption	6,365,000	5,851,000	6,252,500	6,982,500
Maximum production capacity	9,000,000	9,000,000	9,000,000	9,000,000
Storage capacity	10,900,00	10,900,000	10,900,000	10,900,000
Miles of water main	123	130	137	143

Table 20

Fiscal Year					
2002	2003	2004	2005	2006	2007
1	1	1	1	1	1
3	3	3	3	3	3
1,550	1,634	1,735	1,849	1,878	1,969
3	3	3	3	3	3
164.31	168.54	173.55	179.60	181.41	185.84
452.10	463.70	477.50	494.20	499.1	514.12
100%	100%	100%	100%	1%	100%
11.58	11.58	11.58	11.58	11.58	11.58
47	47	47	50	51	52
14	14	14	17	17	17
78.1	78.1	78.1	86.57	95.85	95.85
3	3	3	3	4	4
214.7	214.7	214.7	214.7	455	455
1 with 4,800 seating capacity	1 with 4,800 seating capacity	1 with 4,800 seating capacity	1 with 4,800 seating capacity	1 with 4,800 seating capacity	1 with 4,800 seating capacity
6	6	6	6	6	6
9	9	9	9	9	9
14	14	14	14	14	14
1 with 47 sites	1 with 47 sites	1 with 47 sites	1 with 42 sites	1 with 42 sites	1 with 42 sites
8	8	8	8	8	3
8	8	8	8	8	8
2	2	2	2	2	2
10	10	10	10	10	10
4	4	4	4	4	4
Lime Softening	Lime Softening	Lime Softening	Lime Softening	Lime Softening	Lime Softening
8,571	9,035	9,827	10,612	11,253	11,700
1,040	1,059	1,091	1,127	1,172	1,220
12	12	12	14	14	14
148	157	160	164	169	170
4,719,789	5,314,533	5,402,214	5,189,274	5,328,338	5,077,428
6,894,000	7,173,000	7,796,000	7,481,000	7,994,000	8,681,000
9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000
10,900,000	10,900,000	10,900,000	10,900,000	10,900,000	10,900,000
155	168	179	187	196	200

CITY OF MANKATO, MINNESOTA
CAPITAL ASSET STATISTICS BY FUNCTION - CONTINUED
LAST TEN FISCAL YEARS

Function	Fiscal Year			
	1998	1999	2000	2001
Utilities - Continued				
Municipal water treatment:				
Type of treatment	activated sludge & anaerobic digestion	activated sludge & anaerobic digestion	activated sludge & anaerobic digestion	activated sludge & anaerobic digestion
Users				
City of Mankato, gal/year	1,356,056,700	1,514,490,900	1,550,374,400	1,921,116,200
City of North Mankato, gal/year	475,536,000	500,937,000	481,500,000	521,769,000
City of Eagle Lake, gal/year	61,635,900	78,655,000	51,021,500	44,867,700
South Bend Township, gal/year	13,937,400	15,429,100	15,429,100	15,537,100
Lake Washington, gal/year	-	-	-	-
Skyline, gal/year	-	-	-	-
Average daily sewage treatment in gallons	5,225,112	5,779,485	5,748,836	6,858,329
Maximum design capacity (millions of gallons/day)	10	10	11.25	11.25
Miles of sanitary sewer	123	123	127	130
Storm Drains:				
Lift stations	5	5	5	7
Holding ponds	6	6	6	8
Ramps:				
Ramps	3	3	3	3
Ramp spaces				
Mankato Place	662	662	662	662
Cherry Street	-	-	-	-
Depot	469	469	469	469
Holiday Inn	110	110	110	110
Total ramp spaces	1,241	1,241	1,241	1,241
Employees				
Supervisors				
Union employees	97	109	116	122
Other employees	132	125	122	117
Total employees	229	234	238	239

Source: City of Mankato Financial Records.

Note: No capital asset indicators are available for the general government function.

Table 20

Fiscal Year					
2002	2003	2004	2005	2006	2007
activated sludge & anaerobic digestion	activated sludge & anaerobic digestion	activated sludge & anaerobic digestion	activated sludge & anaerobic digestion	activated sludge & anaerobic digestion	activated sludge & anaerobic digestion
1,681,735,300	1,462,564,600	1,867,733,400	1,971,814,300	2,021,841,300	1,891,430,000
453,926,000	438,438,000	488,598,000	493,318,000	454,391,400	446,934,000
31,865,800	23,687,800	38,746,000	62,394,900	63,574,900	58,290,000
15,002,900	11,577,600	11,082,600	12,502,800	13,920,100	14,800,000
-	-	-	-	17,448,300	18,100,000
-	-	-	-	10,297,000	10,046,000
5,979,534	5,304,844	6,592,219	6,958,986	7,072,529	6,678,000
11.25	11.25	11.25	11.25	11.25	11.25
135	141	147	152	159	161
8	8	9	11	13	13
11	14	16	18	20	25
3	3	3	4	4	4
662	662	662	662	596	596
-	-	-	171	171	171
469	469	469	469	469	469
110	110	110	110	110	110
1,241	1,241	1,241	1,412	1,346	1,346
124	130	126	131	131	135
121	115	125	138	137	153
245	245	251	269	268	288

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**SCHEDULES OF SOURCES AND
USES OF PUBLIC FUNDS (UNAUDITED)**

CITY OF MANKATO
MANKATO, MINNESOTA

YEAR ENDED
DECEMBER 31, 2007

CITY OF MANKATO, MINNESOTA
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR (DOWNTOWN TAX INCREMENT), A TAX INCREMENT FINANCING DISTRICT
YEAR ENDED DECEMBER 31, 2007

The City of Mankato is the administering authority for the following tax increment finance districts:

Name of District: Downtown Tax Increment

Type of District: Redevelopment

Original Net Tax Capacity	\$ 195,306
Current Net Tax Capacity	761,477
Captured Net Tax Capacity	<u>\$ 566,171</u>
Retained by Authority	<u>\$ 566,171</u>

Total General Obligation Tax Increment	
Bonds Issued	\$ 12,725,664
Amounts Redeemed	<u>7,755,000</u>
Outstanding bonds at 12/31/07	<u>\$ 4,970,664</u>

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
SOURCES OF FUNDS				
Bond Proceeds	\$ 15,174,258	\$ 15,174,258	\$ -	\$ -
Tax Increments Received	20,175,599	14,285,954	510,974	5,378,671
Interest on Invested Funds	1,574,228	1,581,838	3,550	(11,160)
Other Assessments	978,498	978,498	-	-
Other Fees	392,474	392,474	-	-
TOTAL SOURCES OF FUNDS	<u>38,295,057</u>	<u>32,413,022</u>	<u>514,524</u>	<u>5,367,511</u>
USES OF FUNDS				
Land Acquisition	602,649	602,649	-	-
Building Acquisition	1,263,950	1,263,950	-	-
Site Improvements or Preparation Costs	15,173,030	15,028,294	-	144,736
Bond Payments				
Principal	12,725,664	7,700,000	55,000	4,970,664
Interest	7,577,865	6,908,242	459,844	209,779
Administrative Costs	826,535	782,331	-	44,204
Other	125,364	125,364	-	-
TOTAL USES OF FUNDS	<u>38,295,057</u>	<u>32,410,830</u>	<u>514,844</u>	<u>5,369,383</u>
DISTRICT BALANCE (OR DEFICIENCY)	<u>-</u>	<u>2,192</u>	<u>(320)</u>	<u>(1,872)</u>
FUNDS REMAINING	<u>\$ -</u>	<u>\$ 2,192</u>	<u>\$ (320)</u>	<u>\$ 1,872</u>

CITY OF MANKATO, MINNESOTA
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR (LIME VALLEY TAX INCREMENT), A TAX INCREMENT FINANCING DISTRICT
YEAR ENDED DECEMBER 31, 2007

Name of District: Lime Valley Tax Increment

Type of District: Economic Development

Original Net Tax Capacity	\$ 8,811
Current Net Tax Capacity	268,419
Captured Net Tax Capacity	<u>\$ 259,608</u>
Retained By Authority	<u>\$ 259,608</u>

Total General Obligation Tax Increment

Bonds Issued	\$ 625,000
Amount Redeemed	<u>625,000</u>

Outstanding Bonds at 12/31/07

\$ -

	Amended Budget	Accounted for in Prior Years	Current Year	Amount Remaining
SOURCES OF FUNDS				
Bond Proceeds	\$ 618,437	\$ 618,437	\$ -	\$ -
Tax Increment Received	4,672,978	3,510,529	187,660	974,789
Assessments	308,080	-	-	308,080
Developer Loan proceeds	28,724	-	-	28,724
Interest on Invested Funds	-	13,983	7,322	(21,305)
Shortfall payment	<u>52,276</u>	<u>52,276</u>	<u>-</u>	<u>-</u>
TOTAL SOURCES OF FUNDS	<u>5,680,495</u>	<u>4,195,225</u>	<u>194,982</u>	<u>1,290,288</u>
USES OF FUNDS				
Site Improvement and Utility Improvements	2,009,495	1,893,984	-	115,511
Soil Corrections	715,361	7,150	14,300	693,911
Drainage Improvements	270,715	10,978	-	259,737
Parking/Skyway/Storefront Renovations	500,000	438,700	-	61,300
Bond Payments				
Principal	625,000	625,000	-	-
Interest	259,418	259,418	-	-
Finance Costs	188,543	71,502	28,157	88,884
Payment to Developers	850,000	543,796	-	306,204
Administrative Costs	<u>261,963</u>	<u>171,625</u>	<u>15,000</u>	<u>75,338</u>
TOTAL USES OF FUNDS	<u>5,680,495</u>	<u>4,022,153</u>	<u>57,457</u>	<u>(3,579,610)</u>
DISTRICT BALANCE (OR DEFICIENCY)	<u>-</u>	<u>173,072</u>	<u>137,525</u>	<u>4,869,898</u>
FUNDS REMAINING (OR DEFICIT)	<u>\$ -</u>	<u>\$ 173,072</u>	<u>\$ 137,525</u>	<u>\$ 310,597</u>

CITY OF MANKATO, MINNESOTA
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR (VALLEY PARK TAX INCREMENT - LOWER CAMPUS), A TAX INCREMENT FINANCING DISTRICT
YEAR ENDED DECEMBER 31, 2007

Name of District: Valley Park Tax Increment (Lower Campus)

Type of District: Redevelopment

Original Net Tax Capacity	\$ 8,718
Current Net Tax Capacity	<u>142,755</u>
Captured Net Tax Capacity	<u>\$ 134,037</u>
Retained By Authority	<u><u>\$ 134,037</u></u>

Total General Obligation Tax Increment	
Bonds Issued	\$ 4,045,000
Amounts Redeemed	<u>3,870,000</u>
Outstanding Bonds at 12/31/07	<u><u>\$ 175,000</u></u>

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
SOURCES OF FUNDS				
Bond Proceeds	\$ 4,008,755	\$ 4,008,755	\$ -	\$ -
Market Value Homestead Credit	-	15,874	3,676	(19,550)
Tax Increments Received	5,979,497	6,057,175	121,072	(198,750)
Interest on Invested Funds	60,121	60,121	-	-
Other Assessments	28,000	28,000	-	-
Other Fees	<u>1,316</u>	<u>1,316</u>	<u>-</u>	<u>-</u>
TOTAL SOURCES OF FUNDS	<u>10,077,689</u>	<u>10,171,241</u>	<u>124,748</u>	<u>(218,300)</u>
USES OF FUNDS				
Land Acquisition	3,166,902	3,166,902	-	-
Site Improvements or Preparation Costs	279,653	279,653	-	-
Bond Payments				
Principal	4,045,000	3,785,000	85,000	175,000
Interest	2,251,134	2,202,596	13,315	35,223
Administrative Costs	335,000	335,000	-	-
Tax Increment Remitted to County	<u>-</u>	<u>-</u>	<u>93,552</u>	<u>(93,552)</u>
TOTAL USES OF FUNDS	<u>10,077,689</u>	<u>9,769,151</u>	<u>191,867</u>	<u>116,671</u>
DISTRICT BALANCE (OR DEFICIENCY)	<u>-</u>	<u>402,090</u>	<u>(67,119)</u>	<u>(334,971)</u>
FUNDS REMAINING	<u><u>\$ -</u></u>	<u><u>\$ 402,090</u></u>	<u><u>\$ (67,119)</u></u>	<u><u>\$ 334,971</u></u>

CITY OF MANKATO, MINNESOTA
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR (HANDICAPPED HOUSING TAX INCREMENT), A TAX INCREMENT FINANCING DISTRICT
YEAR ENDED DECEMBER 31, 2007

Name of District: Handicapped Housing Tax Increment

Type of District: Economic Development

Original Net Tax Capacity	\$ 715
Current Net Tax Capacity	12,056
Captured Net Tax Capacity	<u>\$ 11,341</u>
Retained by Authority	<u>\$ 11,341</u>
 Total Loans Incurred	 \$ 170,851
Amounts Redeemed	<u>148,683</u>
 Outstanding Loans at 12/31/07	 <u>\$ 22,168</u>

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
SOURCES OF FUNDS				
Loan Proceeds	\$ 170,851	\$ 170,851	\$ -	\$ -
Tax Increments Received	337,851	297,283	10,400	30,168
Shortfall payment	<u>12,000</u>	<u>16,000</u>	<u>4,000</u>	<u>(8,000)</u>
 TOTAL SOURCES OF FUNDS	 <u>520,702</u>	 <u>484,134</u>	 <u>14,400</u>	 <u>22,168</u>
USES OF FUNDS				
Site Improvement or Preparation Costs	170,851	170,851	-	-
Loan Payments				
Principal	170,851	134,119	14,564	22,168
Interest	162,000	162,164	(164)	-
Administrative Cost	<u>17,000</u>	<u>17,000</u>	<u>-</u>	<u>-</u>
 TOTAL USES OF FUNDS	 <u>520,702</u>	 <u>484,134</u>	 <u>14,400</u>	 <u>22,168</u>
 DISTRICT BALANCE	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 FUNDS REMAINING	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

CITY OF MANKATO, MINNESOTA
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR (WIDEN METAL TAX INCREMENT), A TAX INCREMENT FINANCING DISTRICT
YEAR ENDED DECEMBER 31, 2007

Name of District: Widen Metal Tax Increment

Type of District: Economic Development

Original Net Tax Capacity	\$ 932
Current Net Tax Capacity	34,952
Captured Net Tax Capacity	<u>\$ 34,020</u>
Retained By Authority	<u>\$ 34,020</u>

Total Loans Incurred	\$ 441,467
Amounts Redeemed	<u>(49,463)</u>

Outstanding Loans at 12/31/07	<u>\$ 490,930</u>
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	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
SOURCES OF FUNDS				
Loan Proceeds	\$ 415,000	\$ 415,000	\$ -	\$ -
Tax Increments Received	<u>755,000</u>	<u>239,662</u>	<u>31,196</u>	<u>484,142</u>
TOTAL SOURCES OF FUNDS	<u>1,170,000</u>	<u>654,662</u>	<u>31,196</u>	<u>484,142</u>
USES OF FUNDS				
Land Acquisition	125,000	125,000	-	-
Site Improvement or Preparation Costs	290,000	290,000	-	-
Loan Payments				
Principal	415,000	(65,992)	(9,938)	490,930
Interest	277,000	249,654	34,134	(6,788)
Administrative Cost	<u>63,000</u>	<u>56,000</u>	<u>7,000</u>	<u>-</u>
TOTAL USES OF FUNDS	<u>1,170,000</u>	<u>654,662</u>	<u>31,196</u>	<u>484,142</u>
DISTRICT BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUNDS REMAINING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MANKATO, MINNESOTA
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR (KATO MOVING AND STORAGE COMPANY TAX INCREMENT), A TAX INCREMENT FINANCING DISTRICT
YEAR ENDED DECEMBER 31, 2007

Name of District: Kato Moving and Storage Company Tax Increment

Type of District: Economic Development

Original Net Tax Capacity	\$	-		
Current Net Tax Capacity		-		
Captured Net Tax Capacity	\$	-		
Retained By Authority	\$	-		
Total Loans Incurred			\$	55,469
Amounts Redeemed				55,469
Outstanding Loans at 12/31/07			\$	-
	Original	Accounted	Current	Amount
	Budget	for in	Year	Remaining
		Prior Years		
SOURCES OF FUNDS				
Loan Proceeds	\$ 55,469	\$ 55,469	\$ -	\$ -
Market Value Homestead Credit	-	126	-	-
Tax Increments Received	96,000	293,519	-	(197,519)
TOTAL SOURCES OF FUNDS	151,469	349,114	-	(197,645)
USES OF FUNDS				
Site Improvement or Preparation Costs	62,400	55,469	-	6,931
Loan Payments				
Principal	55,469	55,469	-	-
Interest	30,600	27,405	-	3,195
Administrative Cost	3,000	3,000	-	-
Tax Increment Remitted to County	-	205,979	1,792	(207,771)
TOTAL USES OF FUNDS	151,469	347,322	1,792	(197,645)
DISTRICT BALANCE (OR DEFICIENCY)	-	1,792	(1,792)	-
FUNDS REMAINING	\$ -	\$ 1,792	\$ (1,792)	\$ -

CITY OF MANKATO, MINNESOTA
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR (SPARTECH PLASTICS TAX INCREMENT), A TAX INCREMENT FINANCING DISTRICT
YEAR ENDED DECEMBER 31, 2007

Name of District: Spartech Plastics

Type of District: Economic Development

Original Net Tax Capacity	\$	74		
Current Net Tax Capacity		15,642		
Captured Net Tax Capacity	\$	15,568		
Retained By Authority	\$	15,568		
	Original	Accounted	Current	Amount
	Budget	for in	Year	Remaining
		Prior Years		
SOURCES OF FUNDS				
Tax Increments Received	\$ 389,700	\$ 104,611	\$ 14,276	\$ 270,813
Local contributions	39,000	-	-	39,000
Other	521,520	560,056	-	(38,536)
TOTAL SOURCES OF FUNDS	950,220	664,667	14,276	271,277
USES OF FUNDS				
Site Improvements	200,000	37,433	-	162,567
Public Infrastructure	627,150	569,108	-	58,042
Loan Payments				
Principal	-	4,531	(4,531)	-
Interest	84,370	83,204	1,166	-
Administrative Cost	38,700	16,876	1,200	20,624
TOTAL USES OF FUNDS	950,220	711,152	(2,165)	241,233
DISTRICT BALANCE (OR DEFICIENCY)	-	(46,485)	16,441	30,044
FUNDS REMAINING (OR DEFICIT)	\$ -	\$ (46,485)	\$ 16,441	\$ (30,044)

CITY OF MANKATO, MINNESOTA
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR (SOUTH RIVERFRONT TAX INCREMENT), A TAX INCREMENT FINANCING DISTRICT
YEAR ENDED DECEMBER 31, 2007

Name of District: South Riverfront

Type of District: Redevelopment

Original Net Tax Capacity	\$ 39,817
Current Net Tax Capacity	126,280
Captured Net Tax Capacity	<u>\$ 86,463</u>
Retained By Authority	<u>\$ 86,463</u>

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
SOURCES OF FUNDS				
Assessments	\$ 365,000	\$ 119,860	\$ 22,652	\$ 222,488
Tax Increments Received	1,278,000	265,894	79,286	932,820
State Grant	280,000	282,260	-	(2,260)
City Utility Fund	195,000	67,780	13,556	113,664
TOTAL SOURCES OF FUNDS	<u>2,118,000</u>	<u>735,794</u>	<u>115,494</u>	<u>1,266,712</u>
USES OF FUNDS				
Acquisition	275,750	232,616	-	43,134
Site Improvements	35,000	31,679	-	3,321
Public Utilities	491,168	491,168	-	-
Public Streets	935,876	935,876	-	-
Interest	330,206	171,708	26,181	132,317
Administrative Cost	50,000	26,500	5,000	18,500
TOTAL USES OF FUNDS	<u>2,118,000</u>	<u>1,889,547</u>	<u>31,181</u>	<u>197,272</u>
DISTRICT BALANCE (OR DEFICIENCY)	<u>-</u>	<u>(1,153,753)</u>	<u>84,313</u>	<u>1,069,440</u>
FUNDS REMAINING (OR DEFICIT)	<u>\$ -</u>	<u>\$ (1,153,753)</u>	<u>\$ 84,313</u>	<u>\$ (1,069,440)</u>

CITY OF MANKATO, MINNESOTA
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR (KATOLIGHT TAX INCREMENT), A TAX INCREMENT FINANCING DISTRICT
YEAR ENDED DECEMBER 31, 2007

Name of District: Katolight

Type of District: Economic Development

Original Net Tax Capacity	\$ 305
Current Net Tax Capacity	79,294
Captured Net Tax Capacity	<u>\$ 78,989</u>
Retained By Authority	<u>\$ 78,989</u>

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
SOURCES OF FUNDS				
Tax Increments Received	\$ 824,262	\$ 275,735	\$ 72,432	\$ 476,095
Payment by Developer	180,000	178,693	-	1,307
City Contribution	86,000	-	-	86,000
Shortfall payment	<u>28,613</u>	<u>150,727</u>	<u>34,176</u>	<u>(156,290)</u>
TOTAL SOURCES OF FUNDS	<u>1,118,875</u>	<u>605,155</u>	<u>106,608</u>	<u>407,112</u>
USES OF FUNDS				
Land Acquisition	186,000	184,140	-	1,860
Site Improvements	250,000	249,696	-	304
Public Infrastructure	431,010	431,010	-	-
Interest	201,865	156,104	17,786	27,975
Administrative Cost	<u>50,000</u>	<u>27,350</u>	<u>5,750</u>	<u>16,900</u>
TOTAL USES OF FUNDS	<u>1,118,875</u>	<u>1,048,300</u>	<u>23,536</u>	<u>47,039</u>
DISTRICT BALANCE (OR DEFICIENCY)	<u>-</u>	<u>(443,145)</u>	<u>83,072</u>	<u>360,073</u>
FUNDS REMAINING (OR DEFICIT)	<u>\$ -</u>	<u>\$ (443,145)</u>	<u>\$ 83,072</u>	<u>\$ (360,073)</u>

CITY OF MANKATO, MINNESOTA
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR (UNIVERSITY SQUARE MALL TAX INCREMENT), A TAX INCREMENT FINANCING DISTRICT
YEAR ENDED DECEMBER 31, 2007

Name of District: University Square Mall

Type of District: Redevelopment

Original Net Tax Capacity	\$	23,892		
Current Net Tax Capacity		139,972		
Captured Net Tax Capacity	\$	<u>116,080</u>		
Retained By Authority	\$	<u>116,080</u>		
	Original	Accounted	Current	Amount
	Budget	for in	Year	Remaining
		Prior Years		
SOURCES OF FUNDS				
Tax Increments Received	\$ 733,500	\$ 163,888	\$ 106,445	\$ 463,167
Assessments	750,000	-	-	750,000
Equity/Bank Financing	4,000,000	-	-	4,000,000
Other contributions	326,500	2,685	6,363	317,452
	<u>5,810,000</u>	<u>166,573</u>	<u>112,808</u>	<u>5,530,619</u>
TOTAL SOURCES OF FUNDS				
USES OF FUNDS				
Land Write Down	500,000	-	-	500,000
Demolition	200,000	-	-	200,000
Renovation	4,000,000	-	-	4,000,000
Signalization of Warren St/Stadium Rd	150,000	-	-	150,000
Signalization of Monks Ave/Stadium Rd	150,000	-	-	150,000
Pedestrian Overpass	330,000	22,307	1,095	306,598
Landscaping	250,000	-	-	250,000
Extension of Hiniker Mill Rd	70,000	-	-	70,000
Relocate and Bury Overhead Utility Lines	80,000	-	-	80,000
Administrative Cost	80,000	23,500	10,000	46,500
	<u>5,810,000</u>	<u>45,807</u>	<u>11,095</u>	<u>5,753,098</u>
TOTAL USES OF FUNDS				
DISTRICT BALANCE (OR DEFICIENCY)	-	120,766	101,713	(222,479)
FUNDS REMAINING	<u>\$ -</u>	<u>\$ 120,766</u>	<u>\$ 101,713</u>	<u>\$ 222,479</u>

CITY OF MANKATO, MINNESOTA
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR (DUBLIN ROAD HOMES TAX INCREMENT), A TAX INCREMENT FINANCING DISTRICT
YEAR ENDED DECEMBER 31, 2007

Name of District: Dublin Road Homes

Type of District: Housing

Original Net Tax Capacity	\$ 853
Current Net Tax Capacity	80,800
Captured Net Tax Capacity	<u>\$ 79,947</u>
Retained By Authority	<u>\$ 79,947</u>

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
SOURCES OF FUNDS				
Tax Increments Received	<u>\$ 600,200</u>	<u>\$ 87,706</u>	<u>\$ 73,311</u>	<u>\$ 439,183</u>
TOTAL SOURCES OF FUNDS	<u>600,200</u>	<u>87,706</u>	<u>73,311</u>	<u>439,183</u>
USES OF FUNDS				
Site Improvements	388,200	78,051	65,980	244,169
Interest	152,000	-	-	152,000
Administrative Cost	<u>60,000</u>	<u>16,170</u>	<u>7,331</u>	<u>36,499</u>
TOTAL USES OF FUNDS	<u>600,200</u>	<u>94,221</u>	<u>73,311</u>	<u>432,668</u>
DISTRICT BALANCE (OR DEFICIENCY)	<u>-</u>	<u>(6,515)</u>	<u>-</u>	<u>6,515</u>
FUNDS REMAINING (OR DEFICIT)	<u>\$ -</u>	<u>\$ (6,515)</u>	<u>\$ -</u>	<u>\$ (6,515)</u>

CITY OF MANKATO, MINNESOTA
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR (VIKING ELECTRIC TAX INCREMENT), A TAX INCREMENT FINANCING DISTRICT
YEAR ENDED DECEMBER 31, 2007

Name of District: Viking Electric

Type of District: Economic Development

Original Net Tax Capacity	\$ 728
Current Net Tax Capacity	<u>17,008</u>
Captured Net Tax Capacity	<u>\$ 16,280</u>
Retained By Authority	<u><u>\$ 16,280</u></u>

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
SOURCES OF FUNDS				
Tax Increments Received	<u>\$ 77,400</u>	<u>\$ 30,514</u>	<u>\$ 14,929</u>	<u>\$ 31,957</u>
TOTAL SOURCES OF FUNDS	<u>77,400</u>	<u>30,514</u>	<u>14,929</u>	<u>31,957</u>
USES OF FUNDS				
Site Improvements	50,000	16,065	6,445	27,490
Interest	19,700	3,175	3,175	13,350
Administrative Cost	<u>7,700</u>	<u>7,700</u>	<u>-</u>	<u>-</u>
TOTAL USES OF FUNDS	<u>77,400</u>	<u>26,940</u>	<u>9,620</u>	<u>40,840</u>
DISTRICT BALANCE (OR DEFICIENCY)	<u>-</u>	<u>3,574</u>	<u>5,309</u>	<u>(8,883)</u>
FUNDS REMAINING (OR DEFICIT)	<u><u>\$ -</u></u>	<u><u>\$ 3,574</u></u>	<u><u>\$ 5,309</u></u>	<u><u>\$ 8,883</u></u>

CITY OF MANKATO, MINNESOTA
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR (BRENNAN - LANDKAMMER TAX INCREMENT), A TAX INCREMENT FINANCING DISTRICT
YEAR ENDED DECEMBER 31, 2007

Name of District: Brennan - Landkammer

Type of District: Redevelopment

Original Net Tax Capacity	\$ 3,512
Current Net Tax Capacity	23,784
Captured Net Tax Capacity	<u>\$ 20,272</u>
Retained By Authority	<u><u>\$ 20,272</u></u>

Total Loans Incurred	\$ 200,000
Amounts Redeemed	<u>(31,939)</u>

Outstanding Loans at 12/31/07	<u><u>\$ 231,939</u></u>
-------------------------------	--------------------------

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
SOURCES OF FUNDS				
Tax Increments Received	<u>\$ 599,600</u>	<u>\$ 7,100</u>	<u>\$ 18,589</u>	<u>\$ 573,911</u>
TOTAL SOURCES OF FUNDS	<u>599,600</u>	<u>7,100</u>	<u>18,589</u>	<u>573,911</u>
USES OF FUNDS				
Site Improvements	204,400	6,391	16,730	181,279
Loan Payments				
Principal	200,000	(20,763)	(11,176)	231,939
Interest	154,800	20,763	11,176	122,861
Administrative Cost	<u>40,400</u>	<u>709</u>	<u>1,859</u>	<u>37,832</u>
TOTAL USES OF FUNDS	<u>599,600</u>	<u>7,100</u>	<u>18,589</u>	<u>573,911</u>
DISTRICT BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUNDS REMAINING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF MANKATO, MINNESOTA
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR (JOHNSON WORLDWIDE TAX INCREMENT), A TAX INCREMENT FINANCING DISTRICT
YEAR ENDED DECEMBER 31, 2007

Name of District: Johnson Worldwide Associates

Type of District: Economic Development

Original Net Tax Capacity	\$ 2,648
Current Net Tax Capacity	2,897
Captured Net Tax Capacity	<u>\$ 249</u>
Retained By Authority	<u><u>\$ 249</u></u>

Total General Obligation Tax Increment	
Bonds Issued	\$ 1,215,000
Amounts Redeemed	<u>-</u>
Outstanding bonds at 12/31/07	<u><u>\$ 1,215,000</u></u>

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
SOURCES OF FUNDS				
Bond Proceeds	\$ 1,255,000	\$ 1,215,000	\$ -	\$ 40,000
Tax Increments Received	1,757,702	-	228	1,757,474
Interest on Invested Funds	<u>-</u>	<u>-</u>	<u>5,126</u>	<u>(5,126)</u>
TOTAL SOURCES OF FUNDS	<u>3,012,702</u>	<u>1,215,000</u>	<u>5,354</u>	<u>1,792,348</u>
USES OF FUNDS				
Site Improvements	737,600	737,600	-	-
Public Infrastructure	362,400	301,788	-	60,612
Capitalized Interest	113,233	-	70,661	42,572
Bond Payments				
Principal	1,255,000	-	-	1,255,000
Interest	479,743	-	39,333	440,410
Issuance Costs	25,000	12,943	5,060	6,997
Discount	13,805	7,373	-	6,432
Other	3,421	-	-	3,421
Administrative Costs	<u>22,500</u>	<u>7,500</u>	<u>-</u>	<u>15,000</u>
TOTAL USES OF FUNDS	<u>3,012,702</u>	<u>1,067,204</u>	<u>115,054</u>	<u>1,830,444</u>
DISTRICT BALANCE (OR DEFICIENCY)	<u>-</u>	<u>147,796</u>	<u>(109,700)</u>	<u>(38,096)</u>
FUNDS REMAINING	<u><u>\$ -</u></u>	<u><u>\$ 147,796</u></u>	<u><u>\$ (109,700)</u></u>	<u><u>\$ 38,096</u></u>

CITY OF MANKATO, MINNESOTA
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR (SIBLEY PARKWAY PHASE I TAX INCREMENT), A TAX INCREMENT FINANCING DISTRICT
YEAR ENDED DECEMBER 31, 2007

Name of District: Sibley Parkway Phase I

Type of District: Redevelopment

Original Net Tax Capacity	\$ -
Current Net Tax Capacity	-
Captured Net Tax Capacity	<u>\$ -</u>
Retained By Authority	<u><u>\$ -</u></u>

Total General Obligation Tax Increment	
Bonds Issued	\$ -
Amounts Redeemed	<u>-</u>
Outstanding bonds at 12/31/07	<u><u>\$ -</u></u>

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
SOURCES OF FUNDS				
Bond Proceeds	\$ 350,000	\$ -	\$ -	\$ 350,000
Tax Increment Received	6,848,154	-	-	6,848,154
Assessments	288,240	-	-	288,240
Grants	1,000,000	-	-	1,000,000
City Storm Water Utility Fund	388,000	-	-	388,000
City Water Utility Fund	<u>334,660</u>	<u>-</u>	<u>-</u>	<u>334,660</u>
TOTAL SOURCES OF FUNDS	<u>9,209,054</u>	<u>-</u>	<u>-</u>	<u>9,209,054</u>
USES OF FUNDS				
Public Utilities	433,821	-	343,106	90,715
Storm Drainage & Rerouting	409,036	-	324,384	84,652
Public Streets	1,416,114	-	806,610	609,504
Lighting/plantings/sidewalk	542,313	-	301,846	240,467
Redevelopment Costs	971,518	-	-	971,518
Closure of Lime Pond	334,660	-	692	333,968
Riverbank Stabilization	450,000	-	-	450,000
Interest	3,934,080	-	1,643	3,932,437
Administrative Costs	<u>717,512</u>	<u>-</u>	<u>27,500</u>	<u>690,012</u>
TOTAL USES OF FUNDS	<u>9,209,054</u>	<u>-</u>	<u>1,805,781</u>	<u>7,403,273</u>
DISTRICT BALANCE (OR DEFICIENCY)	<u>-</u>	<u>-</u>	<u>(1,805,781)</u>	<u>1,805,781</u>
FUNDS REMAINING (OR DEFICIT)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (1,805,781)</u></u>	<u><u>\$ (1,805,781)</u></u>

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**SINGLE AUDIT AND OTHER
REQUIRED REPORTS**

CITY OF MANKATO
MANKATO, MINNESOTA

YEAR ENDED
DECEMBER 31, 2007



11 Civic Center Plaza
Suite 300
P.O. Box 3166
Mankato, MN 56002-3166

REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Mankato
Mankato, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mankato, Minnesota (the City) as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 22, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the Minnesota Office of the State Auditor pursuant to Minnesota statute 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the City complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Council, management and the Minnesota Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

Abdo, Eick & Meyers, LLP
ABDO, EICK & MEYERS, LLP
Certified Public Accountants

May 22, 2008
Mankato, Minnesota

11 Civic Center Plaza
Suite 300
P.O. Box 3166
Mankato, MN 56002-3166

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and City Council
City of Mankato
Mankato, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mankato, Minnesota (the City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis of designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we reported to management of the City in a separate letter dated May 22, 2008.

This report is intended solely for the information and use of management, City Council and the Minnesota Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

May 22, 2008
Mankato, Minnesota

Abdo, Eick & Meyers, LLP
ABDO, EICK & MEYERS, LLP
Certified Public Accountants

11 Civic Center Plaza
Suite 300
P.O. Box 3166
Mankato, MN 56002-3166

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

Honorable Mayor and City Council
City of Mankato
Mankato, Minnesota

Compliance

We have audited the compliance of the City of Mankato, Minnesota (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express and opinion on the effectiveness of the City's internal control over compliance.



A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Council, management and the federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

May 22, 2008
Mankato, Minnesota

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CITY OF MANKATO, MINNESOTA
SCHEDULE OF EXPENDITURE OF FEDERAL AWARD PROGRAMS
YEAR ENDED DECEMBER 31, 2007

<u>Federal Funding Source</u>	<u>Administering Department</u>	<u>Program Name</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>State or Other Contract Number</u>	<u>Expended Directly</u>
U.S. Department of Housing and Urban Development	Minnesota Department of Trade and Economic Development	Community Development Block Grants - State's Program	14.228	CDAP-01-0056-O-FY02	\$ 169,485
U.S. Department of Housing and Urban Development		Public and Indian Housing (Low Rent)	14.850	C-4119	442,875
U.S. Department of Housing and Urban Development		Section 8 Housing Choice Vouchers	14.871	C-4037V	3,758,054
U.S. Department of Housing and Urban Development		Public Housing Capital Fund (CFP)	14.872		607,986
U.S. Department of Transportation	Minnesota Department of Public Safety	Enforcing Underage Drinking Laws Program	16.727		4,120
U.S. Department of Transportation	Minnesota Department of Transportation	Airport Improvement Program	20.106	SP 0701-77	5,560,354
U.S. Department of Transportation	Minnesota Department of Transportation	Public Transportation for Non-urbanized Areas	20.509	Operating (90300) Capital (90300)	315,367 224,488
U.S. Department of Transportation	Minnesota Department of Transportation	Alcohol Safety and Drunk Driving Prevention Incentive Grants	20.601		4,242
U.S. Department of Environmental Protection Agency	Minnesota Department of Trade and Economic Development	Capitalization Grants for Drinking Water State Revolving Funds	66.468	MPFA-05-0009-R-FY06	11,403,704
	Total Expended				<u>\$ 22,490,675</u>

CITY OF MANKATO, MINNESOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2007

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the City of Mankato, Minnesota (the City). The City's reporting entity is defined in Note 1A to the City's financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting for the major programs and both the accrual and the modified accrual basis of accounting for the nonmajor programs, which are described in Note 1B to the City's financial statements.

CITY OF MANKATO, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2007

A. Summary of Auditor's Results

Financial Statements

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Mankato, Minnesota (the City).
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.

Federal Awards

1. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with *OMB Circular A-133*.
2. The auditor's report on compliance for the major federal award programs for the City expresses an unqualified opinion on all major federal programs.
3. No audit findings relative to the major federal awards programs for the City are reported in this schedule.
4. The programs tested as major programs included:

	<u>CFDA</u>
Section 8 Housing Vouchers	14.871
Public Housing Capital Fund	14.872
Airport Improvement Program	20.106
Capitalization Grant for Drinking Water State Revolving Funds	66.468

5. The threshold for distinguishing between Types A and B programs was \$674,720.
6. The City qualified as a low-risk auditee.

B. Findings - Financial Statement Audit

None.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None.